

FORM APPROVED COUNTY COUNSEL 3/11/15  
 BY: GREGORY P. PRIAMOS DATE

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

377  
A



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:  
 March 12, 2015

SUBJECT: Resolution No. 2015-071 Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A; 5th Dist.; [\$0] (Vote on Separately)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and adopt Resolution No. 2015-071 authorizing and approving the issuance and sale of Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A in a principal amount not to exceed \$103,000,000 and approving other related matters.

BACKGROUND:

Summary

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

Don Kent  
 Treasurer/Tax Collector

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS:	Budget Adjustment: n/a
	For Fiscal Year: 2014-15

C.E.O. RECOMMENDATION: APPROVE

BY: 3/12/15  
 Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Washington, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Washington, Benoit and Ashley  
 Nays: None  
 Absent: Tavaglione  
 Date: March 24, 2015  
 xc: Treasurer

Kecia Harper-Ihem  
 Clerk of the Board  
 By: Deputy

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

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

3-44

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11: Resolution No. 2015-071 Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A; 5th Dist.; [\$0] (Vote on Separately)**  
**DATE:** March 12, 2015  
**PAGE:** Page 2 of 2

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

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

An election was held on November 4, 2014 pursuant to Section 1 of Article XIII A of the California Constitution, Section 18 of Article XVI of the California Constitution, and Chapter 1 of Part 10 of Division 1 of Title 1 (Section 15266) of the Education Code, codifying, in part, Proposition 39. The measure, which was approved by more than fifty-five percent of the votes cast by eligible voters of the District, authorized the incurrence of general obligation bonded indebtedness in an aggregate principal amount not to exceed \$398,000,000.

Resolution 2015-071 authorizes the issuance and sale of Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A (the "Series A Bonds") in a principal amount not to exceed \$103,000,000. The proceeds of the Series A Bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities.

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

County Counsel has reviewed Resolution No. 2015-071 and has approved it as to form.

**Impact on Citizens and Businesses**

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

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

Resolution No. 2015-071  
District Resolution  
Bond Purchase Contract  
Preliminary Official Statement

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

---

RESOLUTION NO. 2015-071

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AUTHORIZING THE SALE AND ISSUANCE OF MORENO VALLEY UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, CALIFORNIA, ELECTION OF 2014 GENERAL OBLIGATION BONDS, SERIES A IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$103,000,000

---

## Table of Contents

		<u>Page</u>
1	Section 1. Purpose of the Bonds.....	2
	Section 2. Terms and Conditions of Sale .....	2
2	Section 3. Approval of Purchase Contract .....	2
	Section 4. Certain Definitions .....	3
3	Section 5. Terms of the Bonds. ....	7
	Section 6. Execution.....	8
4	Section 7. Appointment of Paying Agent.....	8
	Section 8. Resignation or Removal of Paying Agent and Appointment of Successor.....	9
5	Section 9. Payment of Principal and Interest.....	9
6	Section 10. Bond Registration and Transfer.....	10
	Section 11. Redemption. ....	11
7	Section 12. Book-Entry System. ....	14
	Section 13. Forms of Bonds .....	16
8	Section 14. Deposit of Proceeds of Bonds; Creation of Funds. ....	16
	Section 15. Security for the Bonds; Tax Levy .....	18
9	Section 16. Defeasance .....	18
	Section 17. Partial Defeasance .....	19
10	Section 18. Continuing Disclosure.....	19
	Section 19. Tax Covenants of the District.....	20
11	Section 20. Arbitrage Covenant .....	20
	Section 21. Conditions Precedent.....	20
12	Section 22. Preliminary Official Statement.....	20
	Section 23. Other Actions. ....	20
13	Section 24. Supplemental Resolutions. ....	21
	Section 25. Insurance .....	22
14	Section 26. Resolution to Constitute Contract .....	22
	Section 27. Notices.....	22
15	Section 28. Unclaimed Moneys.....	23
	Section 29. Effective Date.....	23
16		
	Exhibit A Form of District Resolution.....	A-1
17	Exhibit B Form of Purchase Contract.....	B-1
	Exhibit C Form of Bonds.....	C-1
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

RESOLUTION NO. 2015-071

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AUTHORIZING THE SALE AND ISSUANCE OF MORENO VALLEY UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, CALIFORNIA, ELECTION OF 2014 GENERAL OBLIGATION BONDS, SERIES A IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$103,000,000

WHEREAS, a duly called election was held in the Moreno Valley Unified School District (the "District"), County of Riverside (the "County"), State of California, on November 4, 2014 (the "Election"), and thereafter canvassed pursuant to law; and

WHEREAS, at the Election there was submitted to and approved by the requisite fifty-five percent or more vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of \$398,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the "Authorization"); and

WHEREAS, at this time this Board has received a signed and certified original copy of the resolution of the Board of Education of the District (the "District Board"), approved thereby and adopted on March 10, 2015, requesting the issuance of the first series of bonds under the Authorization in an aggregate principal amount not-to-exceed \$103,000,000 and styled as "Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds")", which resolution is attached hereto as Exhibit A; and

WHEREAS, pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53506 et seq.) (the "Act"), the Bonds are authorized to be issued by the District for the purposes set forth in the ballot submitted to voters at the Election; and

WHEREAS, the District Board has authorized the issuance of the Bonds in one or more Series of Tax-Exempt or Taxable Current Interest Bonds (as such terms are defined herein); and

WHEREAS, the District Board has authorized the sale of the Bonds at a negotiated sale, which the District Board has determined will provide more flexibility in the timing of the sale, an ability to implement the sale in a shorter time period, an increased ability to structure the Bonds to fit the needs of particular purchasers, and a greater opportunity for the Underwriter (defined herein) to pre-market the Bonds to potential purchasers prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds; and

WHEREAS, the District Board has estimated that the costs associated with the

FORM APPROVED COUNTY COUNSEL  
BY: Dale A. Gardner 3/11/15  
DATE

1 delivery of the Bonds, including any such costs which the Underwriter agrees to pay pursuant  
2 to the Purchase Contract (defined herein), will equal approximately 1.60% of the aggregate  
principal amount of the Bonds; and

3       **WHEREAS**, the District Board has appointed Stradling Yocca Carlson & Rauth, a  
4 Professional Corporation, San Francisco, California as Bond Counsel and Disclosure Counsel  
in connection with the issuance of the Bonds; and

5       **WHEREAS**, the District Board has appointed Fieldman, Rolapp & Associates, Inc.,  
6 Irvine, California as Financial Advisor in connection with the issuance of the Bonds; and

7       **WHEREAS**, the District Board has appointed Piper Jaffray & Co., El Segundo,  
8 California, as Underwriter in connection with the issuance of the Bonds; and

9       **WHEREAS**, in its resolution, the District found and informed this Board that all  
10 acts, conditions and things required by law to be done or performed have been done and  
11 performed in strict conformity with the laws authorizing the issuance of general obligation  
bonds of the District, and the indebtedness of the District, including this proposed issue of  
Bonds, is within all limits prescribed by law;

12       **NOW, THEREFORE, IT IS FOUND, DETERMINED, ORDERED AND**  
13 **RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF**  
**RIVERSIDE, CALIFORNIA, AS FOLLOWS:**

14       **Section 1.     Purpose of the Bonds.** The Bonds of the District shall be issued in  
15 the name and on behalf of the District in an aggregate Principal Amount not to exceed  
16 \$103,000,000 to raise money for the purposes authorized by voters of the District at the  
Election, and to pay all necessary legal, financial, engineering and contingent costs in  
connection therewith.

17       **Section 2.     Terms and Conditions of Sale.** The Bonds shall be sold at a  
18 negotiated sale pursuant to the Authorizing Law in accordance with the terms of this  
Resolution. The Bonds shall be sold pursuant to the terms and conditions set forth in the  
19 Purchase Contract, as described in Section 3 below.

20       **Section 3.     Approval of Purchase Contract.** The form of Purchase Contract  
21 (defined herein), by and among the County, the District and Piper Jaffray & Co. (the  
"Underwriter"), for the purchase and sale of the Bonds, is hereby approved substantially in  
22 the form attached hereto as Exhibit B. The Treasurer-Tax Collector of the County (the  
"Treasurer"), or designated deputy thereof, is hereby authorized to execute and deliver the  
23 Purchase Contract, and the Authorized Representatives of the District, each alone, are hereby  
authorized and requested to acknowledge the execution of such Purchase Contract, if  
24 necessary, but with such changes therein, deletions therefrom and modifications thereto as  
the Treasurer, or a designated deputy thereof, may approve, such approval to be conclusively  
25 evidenced by his or her execution and delivery thereof; provided, however, that the Bonds  
shall mature no later than forty (40) years from the date of issue and the Underwriter's  
26 discount, excluding original issue discount, shall not exceed 0.875% of the aggregate  
principal amount of Bonds issued. The Treasurer, in conjunction with an Authorized  
27 Representative of the District, shall be authorized to determine the final principal amount of

1 the Bonds, not-to-exceed \$103,000,000, and enter into and execute the Purchase Contract  
2 with the Underwriter, if the conditions set forth in this Resolution are satisfied.

3 **Section 4. Certain Definitions.** As used in this Resolution, the terms set forth  
4 below shall have the meanings ascribed to them:

5 **“Authorizing Law”** means, collectively, (i) the Act, and (ii) Article XIII A of  
6 the California Constitution.

7 **“Authorized Representative of the District”** means each of the  
8 Superintendent of the District, the Chief Business Official of the District, and such  
9 other officers or employees of the District as may be designated for such purpose and  
10 their designees.

11 **“Beneficial Owner”** means, when used with reference to book-entry Bonds  
12 registered pursuant to Section 12 hereof, the person who is considered the beneficial  
13 owner of such Bonds pursuant to the arrangements for book entry determination of  
14 ownership applicable to the Depository.

15 **“Board”** means the Board of Supervisors of the County.

16 **“Bond Insurer”** means any insurance company and any successor thereto,  
17 which issues a municipal bond insurance policy insuring the payment of the Principal  
18 Amount of and interest on the Bonds.

19 **“Bond Payment Date”** means (unless otherwise provided by the Purchase  
20 Contract or the Official Statement) February 1 and August 1 of each year,  
21 commencing August 1, 2015, with respect to the interest on the Bonds, and the stated  
22 maturity dates thereof, with respect to the Principal payments on the Bonds.

23 **“Bond Register”** means the listing of names and addresses of the current  
24 registered owners of the debt, as maintained by the Paying Agent in accordance with  
25 Section 10 hereof.

26 **“Bonds”** means the Moreno Valley Unified School District Election of 2014  
27 General Obligation Bonds, Series A, issued and delivered pursuant to this Resolution.

28 **“Building Fund”** means the Moreno Valley Unified School District, Election  
of 2014 General Obligation Bonds, Series A Building Fund established pursuant to  
Section 14 of this Resolution.

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

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

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

6           **“County”** means the County of Riverside, California.

7           **“Current Interest Bonds”** means bonds, the interest on which is payable  
8           semiannually on each Bond Payment Date specified for each such Bond as designated  
9           and maturing in the years and in the amounts set forth in the Purchase Contract.

10          **“Dated Date”** means the date of initial issuance and delivery of the Bonds, or  
11          such other date as shall appear in the Purchase Contract or Official Statement.

12          **“Debt Service Fund”** means the Moreno Valley Unified School District,  
13          Election of 2014 General Obligation Bonds, Series A Debt Service Fund established  
14          pursuant to Section 14 of this Resolution.

15          **“Depository”** means The Depository Trust Company, 55 Water Street, New  
16          York, New York 10041, a limited purpose trust company organized under the laws of  
17          the State of New York, in its capacity as the initial Depository for the Bonds.

18          **“District”** means the Moreno Valley Unified School District.

19          **“DTC”** means The Depository Trust Company, 55 Water Street, New York,  
20          New York 10041, a limited purpose trust company organized under the laws of the  
21          State of New York, in its capacity as the initial Depository for the Bonds.

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



1           **“Informational Services”** means Financial Information, Inc.’s Financial  
2 Daily Called Bond Service; Mergent, Inc.’s Called Bond Department; or Standard &  
3 Poor’s J.J. Kenny Information Services’ Called Bond Service.

4           **“Moody’s”** means Moody’s Investors Service, a corporation organized and  
5 existing under the laws of the State of Delaware, its successors and assigns, or, if  
6 such corporation shall be dissolved or liquidated or shall no longer perform the  
7 functions of a securities rating agency, such other nationally recognized securities  
8 rating agency designated by the District.

9           **“Nominee”** means the nominee of the Depository, which may be the  
10 Depository, as determined from time to time pursuant to Section 12 hereof.

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

15           **“Official Statement”** means the document by that name prepared by the  
16 District pursuant to which the Bonds are offered by the Underwriter to investors as  
17 described in Section 22 herein.

18           **“Outstanding,”** when used with reference to any Bond (or a portion thereof),  
19 means, as of any date, Bonds theretofore issued or thereupon being issued under this  
20 resolution except:

21           (a) Bonds canceled at or prior to such date;

22           (b) Bonds in lieu of or in substitution for which other Bonds shall have  
23 been delivered pursuant to Section 10 hereof; or

24           (c) Bonds for the payment or redemption of which funds or Government  
25 Obligations in the necessary amount shall have been set aside (whether on or prior to  
26 the maturity or redemption date of such Bonds), in accordance with Section 16 or 17  
27 of this Resolution.

28           **“Owner”** means the registered owner of a Bond as set forth on the  
registration books maintained by the Paying Agent pursuant to Section 10 hereof.

**“Participants”** means those broker-dealers, banks and other financial  
institutions from time to time for which the Depository holds book-entry certificates  
as securities depository.

**“Paying Agent”** means U.S. Bank National Association or any successor  
thereto designated in accordance with Section 8 hereof to act as the authenticating  
agent, bond registrar, transfer agent and paying agent for the Bonds.

**“Permitted Investments”** means (i) any lawful investments permitted by  
Section 16429.1 and Section 53601 of the Government Code, including Non-AMT  
Bonds and Qualified Non-AMT Mutual Funds, (ii) shares in a California common

1 law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government  
2 Code which invests exclusively in investments permitted by Section 53635 of the  
3 Government Code, but without regard to any limitations in such Section concerning  
4 the percentage of moneys available for investment being invested in a particular type  
5 of security, (iii) a guaranteed investment contract with a provider having a rating  
6 meeting the minimum rating requirements of the County investment pool maintained  
7 by the Treasurer, (iv) the Local Agency Investments Fund of the California State  
8 Treasurer, (v) the County investment pool described above, and (vi) State and Local  
9 Government Series Securities.

10  
11 **“Principal”** or **“Principal Amount”** means, with respect to any Bond, the  
12 initial principal amount thereof.

13 **“Purchase Contract”** means the Contract of Purchase, by and among the  
14 County, the District and the Underwriter, relating to the Bonds.

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

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

27 **“Rebate Fund”** means the Moreno Valley Unified School District, Election  
28 of 2014 General Obligation Bonds, Series A Rebate Fund established pursuant to  
Section 14 of this Resolution.

**“Record Date”** means, the close of business on the fifteenth day of the  
month preceding each Bond Payment Date.

**“Redemption Date”** means any date on which any Bond is subject to  
optional redemption or mandatory sinking fund redemption in accordance with  
Section 11 hereof.

**“Resolution”** means this Resolution adopted by the Board of Supervisors of  
the County on March 24, 2014.

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

**“S&P”** means Standard & Poor’s Ratings Services, a Standard & Poor’s  
Financial Services LLC business, its successors and assigns, or, if such corporation  
shall be dissolved or liquidated or shall no longer perform the functions of a

1 securities rating agency, such other nationally recognized securities rating agency  
2 designated by the District.

3 “**Securities Depository**” means The Depository Trust Company, 55 Water  
4 Street, New York, New York 10041, Attn: Redemption Area, Facsimile  
5 transmission: (212) 855-7232, (212) 855-7233, or such other securities depositories  
6 as are designated by the District or the Paying Agent and whose business is to  
7 perform the functions of a clearing agency with respect to exempted securities, as  
8 defined in Section 3(a)(12) of the Securities Exchange Act of 1934, and who is  
9 registered as a clearing agency under Section 17A of the Act.

10 “**Supplemental Resolution**” means any resolution supplemental to or  
11 amendatory of this Resolution, adopted by the County in accordance with Section 24  
12 hereof.

13 “**Tax Certificate**” means the certificate by that name executed by the District  
14 on the Dated Date of the Bonds.

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

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

21 “**Term Bonds**” means those Bonds for which mandatory redemption dates  
22 have been established in the Purchase Contract.

23 “**Transfer Amount**” means, with respect to any Outstanding Bond, the  
24 Principal Amount.

25 “**Treasurer**” means the Treasurer-Tax Collector of the County and such  
26 other persons as may be designated by the Treasurer to act on his behalf.

27 “**Underwriter**” means Piper Jaffray & Co..

28 **Section 5. Terms of the Bonds.**

(a) Denomination, Interest, Dated Dates and Terms. The Bonds shall be  
issued as fully registered Current Interest Bonds registered as to both Principal and  
interest, in denominations of \$5,000 Principal Amount or any integral multiple  
thereof. The Bonds shall bear interest at a rate or rates not in excess of that  
authorized at the Election. The Bonds will initially be registered in the name of  
“Cede & Co.,” the Nominee of the Depository Trust Company, New York, New  
York.

(b) Each Bond shall be dated as of the Dated Date, and shall bear interest  
at the rates set forth in the Purchase Contract or Official Statement, from the Bond  
Payment Date next preceding the date of authentication thereof unless it is

1 authenticated during the period from the 16th day of the month next preceding any  
2 Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall  
3 bear interest from such Bond Payment Date, or unless it is authenticated on or before  
4 the first Record Date, in which event it shall bear interest from its Dated Date.  
Interest shall be payable on the respective Bond Payment Dates and shall be  
calculated on the basis of a 360-day year of 12, 30-day months.

5 **Section 6. Execution.** The Bonds shall be signed by the Chairman of the Board  
6 and the Treasurer, or a deputy of the Treasurer, by their manual or facsimile signatures and  
7 countersigned by the manual or facsimile signature of the Clerk of the Board, or by an  
8 authorized deputy thereof, all in their official capacities. In case any one or more of the  
9 officers who shall have signed any of the Bonds shall cease to be such officer before the  
10 Bonds so signed shall have been issued by the County on behalf of the District, such Bonds  
11 may, nevertheless, be issued, as herein provided, as if the persons who signed such Bonds  
12 had not ceased to hold such offices. No Bond shall be valid or obligatory for any purpose or  
13 shall be entitled to any security or benefit under this Resolution unless and until the  
14 certificate of authentication printed on the Bond is signed by the Paying Agent as  
15 authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that  
16 the Bond so authenticated has been duly issued, signed and delivered under this Resolution  
17 and is entitled to the security and benefit of this Resolution.

18 **Section 7. Appointment of Paying Agent.**

19 (a) This Board does hereby consent to and confirm the appointment of  
20 U.S. Bank National Association as the Paying Agent for the Bonds. All fees and  
21 expenses incurred for services of the Paying Agent shall be the sole responsibility of  
22 the District.

23 (b) Unless otherwise provided, the office of the Paying Agent designated  
24 by the Paying Agent shall be the place for the payment of Principal of, premium, if  
25 any, and interest on the Bonds.

26 (c) The Paying Agent, upon receipt of any notice, resolution, request,  
27 consent, order, certificate, report, opinion, bond or other paper or document furnished  
28 to it pursuant to any provision of this Resolution, shall examine such instrument to  
determine whether it conforms to the requirements of this Resolution and shall be  
protected in acting upon any such instrument believed by it to be genuine and to have  
been signed or presented by the proper party or parties. The Paying Agent may  
consult with counsel, who may or may not be counsel to the District, and the opinion  
of such counsel shall be full and complete authorization and protection in respect of  
any action taken or suffered by it under this Resolution in good faith and in  
accordance therewith.

(d) The District shall pay to the Paying Agent from time to time  
reasonable compensation for all services rendered under this Resolution, and also all  
reasonable expenses, charges, counsel fees and other disbursements, including those  
of its attorneys, agents and employees, incurred in and about the performance of their  
powers and duties under this Resolution. Notwithstanding the foregoing, the fees and  
expenses of the Paying Agent not paid from the proceeds of the sale of the Bonds

1 may be paid in each year from taxes levied and collected for payment of the Bonds,  
2 insofar as permitted by law, including specifically by Section 15232 of the Education  
Code. In no event shall the County be required to expend its own funds hereunder.

3 **Section 8. Resignation or Removal of Paying Agent and Appointment of**  
4 **Successor.**

5 (a) The Paying Agent may at any time resign and be discharged of the  
6 duties and obligations created by this Resolution by giving at least 60 days' written  
7 notice to the District and the County. The Paying Agent may be removed at any time  
8 by an instrument filed with such Paying Agent and the County and signed by the  
9 District. A successor Paying Agent shall be appointed by the District with the written  
10 consent of the Treasurer, which consent shall not be unreasonably withheld, and, if  
11 such successor Paying Agent is not the Treasurer, then it shall be a bank or trust  
12 company organized under the laws of any state of the United States, a national  
13 banking association or any other financial institution, having capital stock and surplus  
aggregating at least \$75,000,000 and doing business in the State and willing and able  
to accept the office on reasonable and customary terms and authorized by law to  
perform all the duties imposed upon it by this Resolution. Such Paying Agent shall  
signify the acceptance of its duties and obligations hereunder by executing and  
delivering to the County and the District a written acceptance thereof. Resignation or  
removal of the Paying Agent shall be effective upon appointment and acceptance of a  
successor Paying Agent.

14 (b) In the event of the resignation or removal of the Paying Agent, such  
15 Paying Agent shall pay over, assign and deliver any moneys held by it as Paying  
16 Agent to its successor, or, if there is no successor, to the Treasurer. In the event that  
17 for any reason there shall be a vacancy in the office of the Paying Agent, the  
Treasurer shall act as such Paying Agent. The County shall cause the new Paying  
Agent appointed to replace any resigned or removed Paying Agent to mail notice of  
its appointment and the address of its principal office to all registered Owners.

18 **Section 9. Payment of Principal and Interest.** Payment of interest on any  
19 Bond on any Bond Payment Date shall be made to the person appearing on the registration  
20 books of the Paying Agent as the Owner thereof as of the Record Date immediately  
21 preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner  
22 on the Bond Payment Date at his address as it appears on such registration books or at such  
23 other address as he may have filed with the Paying Agent for that purpose on or before the  
24 Record Date. The Owner in an aggregate Principal Amount of \$1,000,000 or more may  
25 request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the  
26 bank and account number on file with the Paying Agent as of the Record Date. The  
27 principal, and redemption price, if any, payable on the Bonds shall be payable upon maturity  
or redemption upon surrender at the designated office of the Paying Agent. The interest,  
Principal and redemption premiums, if any, on the Bonds shall be payable in lawful money of  
the United States of America. The Paying Agent is hereby 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 payable solely from the proceeds of *ad valorem*  
taxes levied on property subject to taxation by the District. No part of any fund of the  
County is pledged or obligated to the payment of the Bonds.

1           **Section 10. Bond Registration and Transfer.** So long as any of the Bonds  
2 remain outstanding, the District will cause the Paying Agent to maintain and keep at its  
3 principal office all books and records necessary for the registration, exchange and transfer of  
4 the Bonds as provided in this Section.

5           Subject to the provisions of Section 12 below, the person in whose name a Bond is  
6 registered on the Bond Register shall be regarded as the absolute owner of that Bond for all  
7 purposes of this Resolution. Payment of or on account of the Principal of and interest on any  
8 Bond shall be made only to or upon the order of that person; neither the District, the County  
9 nor the Paying Agent shall be affected by any notice to the contrary, but the registration may  
10 be changed as provided in this Section. All such payments shall be valid and effectual to  
11 satisfy and discharge the District's liability upon the Bonds, including interest, to the extent  
12 of the amount or amounts so paid.

13           Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount  
14 upon presentation and surrender at the office of the Paying Agent designated for such  
15 purpose, together with a request for exchange signed by the registered Owner or by a person  
16 legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be  
17 transferred only on the Bond Register by the person in whose name it is registered, in person  
18 or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office  
19 of the Paying Agent designated for such purpose, accompanied by delivery of a written  
20 instrument of transfer in a form approved by the Paying Agent, duly executed. Upon  
21 exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or  
22 Bonds of like tenor and of any authorized denomination or denominations requested by the  
23 Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the  
24 same rate and maturing on the same date.

25           If manual signatures on behalf of the County are required, the Paying Agent shall  
26 undertake the exchange or transfer of Bonds only after the new Bonds are signed by the  
27 authorized officers of the County. In all cases of exchanged or transferred Bonds, the County  
28 shall sign and the Paying Agent shall authenticate and deliver Bonds in accordance with the  
provisions of this Resolution. All fees and costs of transfer shall be paid by the transferor.  
Those charges may be required to be paid before the procedure is begun for the exchange or  
transfer. All Bonds issued upon any exchange or transfer shall be valid obligations of the  
District, evidencing the same debt, and entitled to the same security and benefit under this  
Resolution as the Bonds surrendered upon that exchange or transfer.

          Any Bond surrendered to the Paying Agent for payment, retirement, exchange,  
replacement or transfer shall be cancelled by the Paying Agent. The District and the County  
may at any time deliver to the Paying Agent for cancellation any previously authenticated  
and delivered Bonds that the District and the County may have acquired in any manner  
whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. Written  
reports of the surrender and cancellation of Bonds shall be made by the Paying Agent to the  
District and the County upon the request thereof. The cancelled Bonds shall be retained for a  
period of two years and then returned to the District or destroyed by the Paying Agent as  
directed by the District.

          Neither the District, the County nor the Paying Agent will be required (a) to issue or  
transfer any Bonds during a period beginning with the opening of business on the 16th day

1 next preceding either any Bond Payment Date or any date of selection of Bonds to be  
2 redeemed and ending with the close of business on the Bond Payment Date or day on which  
3 the applicable notice of redemption is given or (b) to transfer any Bonds which have been  
4 selected or called for redemption in whole or in part.

5 In case any Bond secured hereby shall become mutilated or destroyed, stolen or lost,  
6 the Paying Agent shall cause to be executed and authenticated a new Bond of like date and  
7 tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in  
8 lieu of and in substitution for such Bond mutilated, destroyed, stolen or lost, upon the  
9 Owner's paying the reasonable expenses and charges in connection therewith, and, in the  
10 case of a Bond destroyed, stolen or lost, such Owner's filing with the Paying Agent and the  
11 County of evidence satisfactory to them that such Bond was destroyed, stolen or lost, and/or  
12 such Owner's ownership thereof in furnishing the Paying Agent and County with indemnity  
13 satisfactory to each of them.

14 Any new Bonds issued pursuant to this Section 10 in substitution for Bonds alleged  
15 to be destroyed, stolen or lost shall constitute original additional contractual obligations on  
16 the part of the District, whether or not the Bonds so alleged to be destroyed, stolen or lost are  
17 at any time enforceable by anyone, and shall be equally secured by and entitled to equal and  
18 proportionate benefits with all other Bonds issued under this Resolution in any moneys or  
19 securities held by the Paying Agent for the benefit of the Owners of the Bonds.

20 **Section 11. Redemption.**

21 (a) Optional Redemption. The Bonds shall be subject to optional  
22 redemption prior to maturity as provided in the Purchase Contract.

23 (b) Mandatory Redemption. The Term Bonds, if any, shall be subject to  
24 mandatory redemption prior to maturity as provided in the Purchase Contract.

25 (c) Selection of Bonds for Redemption. Whenever provision is made in  
26 this Resolution for the redemption of Bonds and less than all Outstanding Bonds are  
27 to be redeemed, the Paying Agent, upon written instruction from the District, shall  
28 select Bonds for redemption as so directed and if not directed, in inverse order of  
maturity. Within a maturity, the Paying Agent, in a manner determined by the  
District, shall select Bonds for redemption by lot; provided, however, the Purchase  
Contract may provide that, within a maturity, Bonds shall be selected for redemption  
on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with  
DTC procedures, provided further that, such redemption is made in accordance with  
the operational arrangements of DTC then in effect.

With respect to redemption by lot, that the portion of any Bond to be  
redeemed in part shall be in the Principal Amount of \$5,000.

(d) Notice of Redemption. When redemption is authorized or required  
pursuant to Section 11 hereof, the Paying Agent, upon written instruction from the  
District, shall give notice (a "Redemption Notice") of the redemption of the Bonds.  
Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof  
(in the case of redemption of the Bonds in part but not in whole) which are to be

1 redeemed, (b) the date of redemption, (c) the place or places where the redemption  
2 will be made, including the name and address of the Paying Agent, (d) the  
3 redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be  
4 redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and,  
5 in the case of any Bond to be redeemed in part only, the Principal Amount of such  
6 Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity  
7 date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall  
8 further state that on the specified date there shall become due and payable upon each  
9 Bond or portion thereof being redeemed at the redemption price thereof, together  
10 with the interest accrued to the redemption date, and that from and after such date,  
11 interest with respect thereto shall cease to accrue.

12 The Paying Agent shall take the following actions with respect to such  
13 Redemption Notice:

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

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

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

26 (iv) The Redemption Notice shall be given to such other persons  
27 as shall be required by the Continuing Disclosure Certificate.

28 Neither failure to receive or failure to send 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 identifying, by issue and maturity, the Bonds  
being redeemed with the proceeds of such check or other transfer.

With respect to any notice of the optional redemption of Bonds pursuant to  
Section 11(a) hereof, unless upon the giving of such notice such Bonds shall be  
deemed to have been defeased pursuant to Sections 16 or 17 hereof, such notice shall  
state that such redemption shall be conditional upon the receipt by an escrow agent  
selected by the District on or prior to the date fixed for such redemption of the  
moneys necessary and sufficient to pay the principal of, and premium, if any, and  
interest on, such Bonds to be redeemed, and that if such moneys shall not have been  
so received said notice shall be of no force and effect, the Bonds shall not be subject  
to redemption on such date and the Bonds shall not be required to be redeemed on



1 such date. In the event that such notice of redemption contains such a condition and  
2 such moneys are not so received, the redemption shall not be made and the Paying  
3 Agent shall within a reasonable time thereafter give notice, to the persons to whom  
4 and in the manner in which the notice of redemption was given, that such moneys  
5 were not so received.

6 (e) Payment of Redeemed Bonds. When notice of redemption has been  
7 given substantially as provided for herein, and, when the amount necessary for the  
8 redemption of the Bonds called for redemption (Principal and premium, if any) is set  
9 aside in trust for that purpose, as provided herein, the Bonds designated for  
10 redemption shall become due and payable on the date fixed for redemption thereof  
11 and upon presentation and surrender of said Bonds at the place specified in the notice  
12 of redemption, said Bonds shall be redeemed and paid at the redemption price  
13 thereof.

14 All unpaid interest payable at or prior to the redemption date shall  
15 continue to be payable to the respective Owners, but without interest thereon.

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

23 (g) Effect of Notice of Redemption. If on such redemption date, money  
24 for the redemption of all the Bonds to be redeemed as provided in Section 11 hereof,  
25 together with interest accrued to such redemption date, shall be held by an  
26 independent escrow agent selected by the District, so as to be available therefor on  
27 such redemption date, and if notice of redemption thereof shall have been given as  
28 aforesaid, 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  
such escrow 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 pursuant to the  
provisions of this Section 11 shall be cancelled upon surrender thereof and be  
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.

(h) Bonds No Longer Outstanding. When any Bonds (or portions  
thereof), which have been duly called for redemption prior to maturity under the  
provisions of this Resolution, or with respect to which irrevocable instructions to call  
for redemption prior to maturity at the earliest redemption date have been given to the  
Paying Agent, in form satisfactory to it, and sufficient moneys shall be held  
irrevocably in trust for the payment of the redemption price of such Bonds or portions  
thereof, accrued interest with respect thereto to the date fixed for redemption, all as

1 provided in this Resolution, then such Bonds shall no longer be deemed Outstanding  
2 and shall be surrendered to the Paying Agent for cancellation.

3 **Section 12. Book-Entry System.**

4 (a) The Bonds shall be initially executed and delivered in the form of a  
5 single, fully registered Bond for each maturity (which may be typewritten). Upon  
6 initial execution and delivery, as provided for herein, the ownership of such Bond  
7 shall be registered in the Bond Register in the name of the Depository or Nominee,  
8 and its successors and assigns. Except as hereinafter provided, all of the outstanding  
9 Bonds shall be registered in the Bond Register in the name of the Nominee of the  
10 Depository, as determined from time to time pursuant to this Section. Each Bond  
11 certificate shall bear a legend substantially to the following effect: "UNLESS THIS  
12 BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE  
13 DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND  
14 REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR  
15 PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF  
16 CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN  
17 AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY  
18 PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS  
19 REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE  
20 DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR  
21 VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL  
22 INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN  
23 INTEREST HEREIN."

24 With respect to the Bonds registered in the Bond Register in the name of the  
25 Nominee, neither the District, the County nor the Paying Agent shall have any  
26 responsibility or obligation to any broker-dealers, banks and other financial  
27 institutions from time to time for which the Depository holds Bonds as securities  
28 depository (the "Participant") or to any person on behalf of which such a Participant  
holds an interest in the Bonds. Without limiting the immediately preceding sentence,  
neither the District, the County nor the Paying Agent shall have any responsibility or  
obligation with respect to (i) the accuracy of the records of the Depository, the  
Nominee, or any Participant with respect to any ownership interest in the Bonds,  
(ii) the delivery to any Participant or any other person, other than an Owner of a Bond  
as shown in the Bond Register, of any notice with respect to the Bonds, including any  
notice of redemption, (iii) the selection by the Depository and its Participants of the  
beneficial interests in the Bonds to be redeemed in the event the District redeems the  
Bonds in part, or (iv) the payment to any Participant or any other person, other than  
an Owner of a Bond as shown in the Bond Register, of any amount with respect to  
Principal of or interest on the Bonds. The District and the Paying Agent may treat  
and consider the person in whose name each Bond is registered in the Bond Register  
as the holder and absolute Owner of such Bond for the purpose of the payment of  
Principal of and interest with respect to such Bond, for the purpose of giving notices  
of redemption, if applicable, and other matters with respect to such Bond, for the  
purpose of registering transfers with respect to such Bond, and for all other purposes  
whatsoever. The Paying Agent shall pay all Principal of and interest on the Bonds  
only to or upon the order of the respective Owner of the Bond, as shown in the Bond

1 Register, or his respective attorney duly authorized in writing, and all such payments  
2 shall be valid and effective to fully satisfy and discharge the District's obligations  
3 with respect to payment of Principal of and interest on the Bonds to the extent of the  
4 sum or sums so paid. No person other than an Owner of a Bond, as shown in the  
5 Bond Register, shall receive a Bond evidencing the obligation of the District to make  
6 payments of Principal and interest. Upon delivery by the Depository to the Owners  
of the Bonds, and the District of written notice to the effect that the Depository has  
determined to substitute a new nominee in place of the Nominee, and subject to the  
provisions herein with respect to Record Dates, the word Nominee in this Resolution  
shall refer to such nominee of the Depository.

7 (b) In order to qualify the Bonds for the Depository's book-entry system,  
8 the District has executed and delivered to the Depository a Representation Letter.  
9 The execution and delivery of the Representation Letter shall not in any way limit the  
10 provisions of this Section or in any other way impose upon the District any obligation  
11 whatsoever with respect to persons having interests in the Bonds other than the  
12 owners of the Bonds, as shown on the Bond Register. In addition, to the execution  
and delivery of the Representation Letter, the District shall take such other actions,  
not inconsistent with this Resolution, as are reasonably necessary to qualify the  
Bonds for the Depository's book-entry program.

13 (c) If at any time the Depository notifies the County and the District that  
14 it is unwilling or unable to continue as Depository with respect to the Bonds or if at  
15 any time the Depository shall no longer be registered or in good standing under the  
16 Securities Exchange Act or other applicable statute or regulation and a successor  
17 Depository is not appointed by the Treasurer within 90 days after the County and the  
18 District receive notice or become aware of such condition, as the case may be,  
19 subsection (a) hereof shall no longer be applicable and the Treasurer shall issue bonds  
20 representing the Bonds as provided below. In addition, the County and the District  
21 may determine at any time that the Bonds shall no longer be represented by book-  
entry securities and that the provisions of subsection (a) hereof shall no longer apply  
to the Bonds. In any such event, the Treasurer shall execute and deliver certificates  
representing the Bonds as provided below. Bonds issued in exchange for book-entry  
securities pursuant to this subsection (c) shall be registered in such names and  
delivered in such denominations as the Depository shall instruct the County and the  
District. The Treasurer shall deliver such bonds representing the Bonds to the  
persons in whose names such Bonds are so registered.

22 If the County and the District determine to replace the Depository with  
23 another qualified securities depository, the County and the District shall prepare or  
24 cause to be prepared new fully-registered book-entry securities for each of the  
25 maturities of the Bonds, registered in the name of such successor or substitute  
26 securities depository or its nominee, or make such other arrangements as are  
27 acceptable to the County, the District and such securities depository and not  
28 inconsistent with the terms of this Resolution.

Notwithstanding any other provisions of this Resolution to the contrary, so  
long as any Bond is registered in the name of the Nominee, all payments with respect  
to Principal of, and interest on such Bond and all notices with respect to such Bond

1 shall be made and given, respectively, as provided in the Representation Letter or as  
2 otherwise instructed by the Depository and acceptable to the District.

3 (d) The initial Depository under this Section shall be DTC. The initial  
4 Nominee shall be Cede & Co., as Nominee of DTC.

5 **Section 13. Forms of Bonds.** The Bonds shall be in substantially the forms as  
6 shown in Exhibit C hereto; provided, however, that those officials executing the Bonds are  
7 hereby authorized to make the insertions and deletions necessary to conform the Bonds to  
8 this Resolution and the Purchase Contract, and the Official Statement and to correct any  
9 defect or inconsistent provision therein or to cure any ambiguity or omission therein.

10 **Section 14. Deposit of Proceeds of Bonds; Creation of Funds.**

11 (a) The proper officials of the District shall cause the Bonds to be  
12 prepared and, following their sale, shall have the Bonds signed and delivered,  
13 together with a true transcript of proceedings with reference to the issuance of the  
14 Bonds, to the original purchaser upon payment of the purchase price therefor.

15 (b) The proceeds from the sale of the Bonds, to the extent of the Principal  
16 Amount thereof, shall be paid to the County to the Building Fund, shall be kept  
17 separate and distinct from all other District and County funds, and those proceeds  
18 shall be used solely for the purposes for which the Bonds are being issued. At the  
19 discretion of the District, the Building Fund may be split into more than one fund or  
20 contain subaccounts if the Bonds are issued in more than one Series. The accrued  
21 interest and any premium received by the County from the sale of the Bonds shall be  
22 kept separate and apart in the Debt Service Fund for the Bonds and used only for  
23 payment of Principal of, and interest on the Bonds. At the discretion of the District,  
24 the Debt Service Fund may be split into more than one fund or contain subaccounts if  
25 the Bonds are issued in more than one Series. Any excess proceeds of the Bonds not  
26 needed for the authorized purposes set forth herein for which the Bonds are being  
27 issued shall be transferred to the Debt Service Fund and applied to the payment of  
28 Principal of, and interest on the Bonds. If, after payment in full of the Bonds, there  
remain excess proceeds, any such excess amounts shall be transferred to the General  
Fund of the District.

The costs of issuance of the Bonds (as such term is defined in Education  
Code Section 15145) are hereby authorized to be paid from proceeds of the Bonds.  
The County, at the direction of the District, may cause a portion of the proceeds of  
the Bonds, in lieu of being deposited into the Building Fund, to be deposited in a  
costs of issuance account to be held by a fiscal agent of the District appointed for  
such purpose.

(c) Moneys in the Debt Service Fund and the Building Fund shall be  
invested at the written direction of the District, and after consultation with the  
County, in Permitted Investments. If at the time of issuance the District determines  
to issue the Bonds as Tax-Exempt Bonds without regard to the Internal Revenue  
Code "temporary period" restrictions, all investment of Bond proceeds shall be  
subject to paragraph (i) below; and the District, in consultation with the County, may

1 provide for an agent to assist the District in investing funds pursuant to paragraph (i)  
2 below. If the District fails to direct such agent, the agent shall invest or cause the  
3 funds in the Building Fund to be invested in Qualified Permitted Investments, subject  
4 to the provisions of paragraph (i) below, until such time as the District provides  
5 written direction to invest such funds otherwise. Neither the County nor its officers  
6 and agents, as the case may be, shall have any responsibility or obligation to  
determine the tax consequences of any investment, nor shall the County or its officers  
and agents be liable for any loss on investments. The interest earned on the moneys  
deposited to the Building Fund shall be applied as set forth in subparagraph (ii)  
below.

7 (i) Covenant Regarding Investment of Proceeds.

8 A. Permitted Investments. Beginning on the delivery  
9 date, and at all times until expenditure for authorized purposes, not less than 95% of the  
10 proceeds of the Bonds deposited in the Building Fund, including investment earnings  
11 thereon, will be invested in Qualified Permitted Investments. Notwithstanding the preceding  
12 provisions of this Section, for purposes of this paragraph, amounts derived from the  
disposition or redemption of Qualified Permitted Investments and held pending reinvestment  
or redemption for a period of not more than 30 days may be invested in Permitted  
Investments.

13 B. Recordkeeping and Monitoring Relating to Building  
14 Fund. The investment of Bond proceeds pursuant to this paragraph (i) shall be subject to  
15 such recordkeeping and monitoring requirements as shall be covenanted to by the District in  
the Tax Certificate executed thereby in connection with such Bonds, and as shall be  
acceptable to the County.

16 (ii) Interest Earned on Permitted Investments. The interest earned  
17 on the moneys deposited in the Building Fund shall be deposited in the  
Building Fund and used for the purposes of that fund.

18 Except as required below to satisfy the requirements of Section 148(f)  
19 of the Code, interest earned on the investment of monies held in the Debt  
20 Service Fund shall be retained in the Debt Service Fund and used by the  
County to pay the Principal of and interest on the Bonds when due.

21 (d) The Rebate Fund is hereby created and established. The County shall  
22 from time to time receive funds from the District for deposit into the Rebate Fund as  
23 required to enable the District to comply with the requirements of Section 148(f) of  
24 the Code. The District shall instruct the County, in writing, as to the method of  
25 investing and disbursing funds held in the Rebate Fund to the United States Treasury.  
26 The County agrees to comply with such instructions of the District. Any money  
27 remaining in the Rebate Fund after the payment in full of the Bonds, either at  
28 maturity or earlier redemption, and the payment to the United States Treasury of any  
amounts required pursuant to Section 148(f) of the Code, and any regulations  
thereunder, shall be transferred to the Building Fund, or if the Building Fund is not  
then in the existence, shall be transferred to the general fund of the District. The  
County shall have no liability or obligation with respect to the required deposits to or

1 disbursements from the Rebate Fund, which shall remain the sole responsibility of the  
2 District.

3 (e) Interest earned on the investment of monies held in the Debt Service  
4 Fund shall be retained in the Debt Service Fund, interest earned on the investment of  
5 monies held in the Building Fund shall be retained in the Building Fund, and interest  
6 earned in the investments in the Rebate Fund shall be retained in the Rebate Fund.

7 (f) If at any time it is deemed necessary or desirable by the District, upon  
8 the written direction of the District, the County may establish additional funds under  
9 this Resolution and/or accounts within any of the funds or accounts established  
10 hereunder.

11 **Section 15. Security for the Bonds; Tax Levy.** There shall be levied on all the  
12 taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem*  
13 tax annually during the period the Bonds are Outstanding in an amount sufficient, together  
14 with moneys on deposit in the Debt Service Fund available for such purpose, to pay the  
15 Principal of, premium, if any, and interest on the Bonds when due. The taxes collected for  
16 the Bonds will be placed in the Debt Service Fund of the District, and which moneys,  
17 pursuant to Government Code sections 5450 and 5451, are hereby pledged to the payment of  
18 the principal of and interest on the Bonds when and as the same fall due, and for no other  
19 purpose. The Bonds are the general obligations of the District and do not constitute an  
20 obligation of the County except as expressly provided in this Resolution. Pursuant to the  
21 District Resolution, the District has pledged funds on deposit in the Debt Service Fund to  
22 payment of the Bonds. No part of any fund or account of the County is pledged or obligated  
23 to the payment of the Bonds or the interest thereon.

24 **Section 16. Defeasance.** The Bonds may be defeased, in whole, prior to maturity  
25 in the following ways:

26 (a) by irrevocably depositing with a bank or trust company in escrow an  
27 amount of cash which together with amounts transferred from the Debt Service Fund,  
28 is sufficient to pay all Bonds Outstanding, including all Principal, premium, if any,  
and interest; or

(b) by irrevocably depositing with a bank or trust company in escrow  
noncallable Government Obligations (defined below), together with cash, if required,  
in such amount as will, in the opinion of an independent certified public accountant,  
together with interest to accrue thereon and moneys transferred from the Debt Service  
Fund together with the interest to accrue thereon, be fully sufficient to pay and  
discharge all the Bonds Outstanding, including all Principal, premium, if any, and  
interest due with respect thereto at or before their maturity date or applicable  
redemption date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all  
obligations of the District, the County and the Paying Agent with respect to all Outstanding  
Bonds shall cease and terminate, except only the obligation of the County and the Paying  
Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) of  
this Section, to the owners of the Bonds not so surrendered and paid all sums due with

1 respect thereto and the obligations of the County with respect to the Rebate Fund in  
2 accordance with Section 14 hereof.

3 For purposes of this Section and Section 17, Government Obligations shall mean:

4 Direct and general obligations of the United States of America, or obligations that are  
5 unconditionally guaranteed as to principal and interest by the United States of America  
6 (which may consist of obligations of the Resolution Funding Corporation that constitute  
7 interest strips), or "pre-refunded" municipal obligations rated in the highest rating category  
8 by Moody's or S&P. In the case of direct and general obligations of the United States of  
9 America, Government Obligations shall include evidences of direct ownership of  
10 proportionate interests in future interest or principal payments of such obligations.  
11 Investments in such proportionate interests must be limited to circumstances where (i) a bank  
12 or trust company acts as custodian and holds the underlying United States obligations; (ii) the  
13 owner of the investment is the real party in interest and has the right to proceed directly and  
14 individually against the obligor of the underlying United States obligations; and (iii) the  
15 underlying United States obligations are held in a special account, segregated from the  
16 custodian's general assets, and are not available to satisfy any claim of the custodian, any  
17 person claiming through the custodian, or any person to whom the custodian may be  
18 obligated; provided that such obligations are rated or assessed at least as high as direct and  
19 general obligations of the United States of America by either Moody's or S&P.

20 **Section 17. Partial Defeasance.** A portion of the then-outstanding maturities of  
21 the Bonds may be defeased prior to maturity in the following ways:

22 (a) by irrevocably depositing with the County, or a bank or trust company  
23 in escrow, an amount of cash which, together with amounts transferred from the Debt  
24 Service Fund, is sufficient to pay the designated Outstanding maturities of Bonds,  
25 including all Principal, interest and premium, if any; or

26 (b) by irrevocably depositing with the County, or a bank or trust company  
27 in escrow, noncallable Government Obligations, together with cash, if required, in  
28 such amount as will, in the opinion of an independent certified public accountant,  
together with interest to accrue thereon, be fully sufficient to pay and discharge the  
designated Outstanding maturities of Bonds (including all Principal, interest and  
premium, if any, at or before their maturity date);

then, notwithstanding that any of such designated maturities of Bonds shall not have been  
surrendered for payment, all obligations of the District and the County with respect to such  
Outstanding maturities of Bonds shall cease and terminate, except only the obligation of the  
County and the Paying Agent to pay or cause to be paid from funds deposited pursuant to  
paragraphs (a) or (b) of this Section, to the Owners of the Bonds of such maturities  
designated for redemption not so surrendered and paid all sums due with respect thereto.

**Section 18. Continuing Disclosure.** The District has covenanted and agreed that  
it will comply with and carry out all of the provisions of the Continuing Disclosure  
Certificate. Any Bond Owner 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 the Continuing Disclosure Certificate.

1           **Section 19.    Tax Covenants of the District.** The District has covenanted for and  
2 on behalf of the Owners that it shall not take any action, or fail to take any action if such  
3 action or failure to take such action would adversely affect the exclusion from gross income  
4 of the interest payable on the Bonds under Section 103 of the Code.

5           **Section 20.    Arbitrage Covenant.** The District has covenanted for and on behalf  
6 of the Owners that it will restrict the use of the proceeds of the Bonds in such manner and to  
7 such extent, if any, as may be necessary, so that the Bonds will not constitute arbitrage bonds  
8 under Section 148 of the Code and the applicable regulations prescribed under that section or  
9 any predecessor section. Calculations for determining arbitrage requirements are the sole  
10 responsibility of the District. The County hereby covenants that it will follow such written  
11 directions as are given to it by the District to restrict the use of the proceeds of the Bonds in  
12 such manner and to such extent, if any, as may be necessary, so that the Bonds will not  
13 constitute arbitrage bonds under Section 148 of the Code and the applicable regulations  
14 prescribed under that section or any predecessor section.

15           **Section 21.    Conditions Precedent.** This Board determines that all acts and  
16 conditions necessary to be performed by the Board or to have been met precedent to and in  
17 the issuing of the Bonds in order to make them legal, valid and binding general obligations of  
18 the District have been performed and have been met, or will at the time of delivery of the  
19 Bonds have been performed and have been met, in regular and due form as required by law;  
20 and that no statutory or constitutional limitation of indebtedness or taxation will have been  
21 exceeded in the issuance of the Bonds.

22           **Section 22.    Official Statement.** The District has agreed to cause a Preliminary  
23 Official Statement and a final Official Statement meeting the requirements of Securities and  
24 Exchange Commission Rule 15c2-12 to be prepared. Such Preliminary Official Statement  
25 and Official Statement shall be referred to as the "Official Statement," and will be  
26 substantially in the form of the Preliminary Official Statement on file with the Clerk of the  
27 Board of Supervisors, together with such changes as the District deems necessary to make  
28 such Official Statement accurate as of its date.

1           **Section 23.    Other Actions.**

2           (a) Officers of the Board and County officials and staff are hereby  
3 authorized and directed, jointly and severally, to do any and all things and to execute  
4 and deliver any and all documents which they may deem necessary or advisable in  
5 order to proceed with the issuance of the Bonds and otherwise carry out, give effect  
6 to and comply with the terms and intent of this Resolution, including the execution of  
7 any documents required by a Bond Insurer as a precondition to obtaining bond  
8 insurance if purchased by the District. Such actions heretofore taken by such  
9 officers, officials and staff are hereby ratified, confirmed and approved.

10           (b) Notwithstanding any other provision hereof, the provisions of this  
11 Resolution as they relate to the terms of the Bonds may be amended by the Purchase  
12 Contract.





1 permitted by the terms of this Resolution, and after consent relating to such specified  
2 matters has been given, no Owner shall have any right or interest to object to such  
3 action or in any manner to question the propriety thereof or to enjoin or restrain the  
4 County or the District or any officer or agent of either from taking any action  
5 pursuant thereto.

6 **Section 25. Insurance.** In the event the District purchases bond insurance for the  
7 Bonds, and to the extent that the Bond Insurer makes payment of the Principal of or interest  
8 on the Bonds, such Bond Insurer shall become the owner of such Bonds with the right to  
9 payment of Principal or interest on the Bonds, and shall be fully subrogated to all of the  
10 Owners' rights, including the Owners' rights to payment thereof. To evidence such  
11 subrogation (i) in the case of subrogation as to claims that were past due interest, the Paying  
12 Agent shall note the Bond Insurer's rights as subrogee on the registration books for the  
13 Bonds maintained by the Paying Agent upon receipt of a copy of the cancelled check issued  
14 by the Bond Insurer or other evidence satisfactory to the Paying Agent for the payment of  
15 such interest to the Owners of the Bonds, and (ii) in the case of subrogation as to claims for  
16 past due Principal or interest, the Paying Agent shall note the Bond Insurer as subrogee on  
17 the registration books for the Bonds maintained by the Paying Agent upon surrender of the  
18 Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond  
19 Insurer. The Paying Agent shall request payment pursuant to the terms of any bond  
20 insurance policy to the extent required to pay the Principal of and interest on the Bonds when  
21 due if amounts on deposit in the Debt Service Fund are not adequate for that purpose.

22 **Section 26. Resolution to Constitute Contract.** In consideration of the purchase  
23 and acceptance of any and all of the Bonds authorized to be issued hereunder by those who  
24 shall own the same from time to time, this Resolution shall be deemed to be and shall  
25 constitute a contract among the County, the District and the Owners from time to time of the  
26 Bonds; and the pledge made in this Resolution shall be for the equal benefit, protection and  
27 security of the Owners of any and all of the Bonds, all of which, regardless of the time or  
28 times of their issuance or maturity, shall be of equal rank without preference, priority or  
distinction of any of the Bonds over any other thereof.

**Section 27. Notices.** All notices or communications herein required or permitted  
to be given to any party shall be given to each of the following parties and shall be given in  
writing and shall be deemed to have been sufficiently given or served for all purposes by  
being delivered or sent by telecopier or by being deposited, postage prepaid, in a post office  
letter box, to the addresses set forth below, or to such other address as may be provided to the  
other parties hereinafter listed in writing from time to time, namely:

If to the County: County of Riverside  
4080 Lemon Street, 4th Floor  
Riverside, California 92502  
Attention: Treasurer-Tax Collector

If to the Paying Agent: U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Department

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

If to the District: Moreno Valley Unified School District  
25634 Alessandro Boulevard  
Moreno Valley, California 92553  
Attention: Superintendent

**Section 28. Unclaimed Moneys.** Anything in this Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Paying Agent after said date when such Bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of such Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

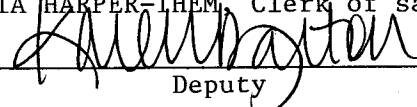
**Section 29. Effective Date.** This Resolution shall take effect immediately upon its passage.

The foregoing resolution was adopted by the Board of Supervisors of the County of Riverside on March 24, 2015.

ROLL CALL:

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley  
Nays: None  
Absent: None

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KECIA HARPER-IHEM, Clerk of said Board  
By   
Deputy

**EXHIBIT A**

**[FORM OF DISTRICT RESOLUTION]**

**MORENO VALLEY UNIFIED SCHOOL DISTRICT  
RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF MORENO VALLEY UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, CALIFORNIA, ELECTION OF 2014 GENERAL OBLIGATION BONDS, SERIES A**

**WHEREAS**, a duly called election was held in the Moreno Valley Unified School District (the "District"), Riverside County (the "County"), State of California, on November 4, 2014 (the "Election") and thereafter canvassed pursuant to law;

**WHEREAS**, at the Election there was submitted to and approved by the requisite fifty-five percent or more vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for the various purposes set forth in the ballot submitted to the voters, in the maximum amount not-to-exceed \$398,000,000, payable from the levy of an *ad valorem* property tax against the taxable property in the District (the "Authorization");

**WHEREAS**, at this time this Board has determined that it is necessary and desirable to request the Board of Supervisors of the County (the "County Board") to issue a first series of such bonds under the Authorization in an aggregate principal amount not to exceed \$100,000,000 ~~100,000,000~~ **103,000,000** to be styled as "Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A" (the "Bonds") on behalf of the District;

**WHEREAS**, the District has not received a qualified or negative certification in the most recent interim report;

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

**WHEREAS**, this Board desires to authorize the issuance of the Bonds in one or more series of taxable or tax-exempt bonds, and as current interest bonds;

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

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

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF EDUCATION OF THE MORENO VALLEY UNIFIED SCHOOL DISTRICT AS FOLLOWS:**

**SECTION 1. Purpose; Authorization.** To raise money for the purposes authorized by voters of the District at the Election and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds, this Board hereby petitions the County Board to authorize

the issuance of the Bonds pursuant to the Act and Section 15140 of the California Education Code, and to order such Bonds sold at a negotiated sale such that the Bonds shall be dated as of a date to be determined by said County Board, shall bear interest at a rate not-to-exceed that authorized at the Election, shall be payable upon such terms and provisions as shall be set forth in the Bonds and shall be in an aggregate principal amount not-to-exceed ~~\$100,000,000~~ 103,000,000. The Board hereby approves the sale of the Bonds at a negotiated sale, which is determined to provide more flexibility in the timing of the sale, an ability to implement the sale in a shorter time period, an increased ability to structure the Bonds to fit the needs of particular purchasers, and a greater opportunity for Piper Jaffray & Co. (the "Underwriter") to pre-market the Bonds to potential purchasers prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds. The Board estimates that the costs associated with the issuance of the Bonds, including compensation to the Underwriter and any such costs which the Underwriter agrees to pay pursuant to the Purchase Contract, will equal approximately ~~1.40~~ 1.60% of the principal amount of the Bonds.

This Board hereby authorizes the issuance of the Bonds as one or more series of taxable or tax-exempt current interest bonds, as set forth in the fully-executed Purchase Contract (defined herein), subject to the provisions of a resolution of the County Board relating to the Bonds (the "County Resolution").

**SECTION 2. Paying Agent.** This Board does hereby authorize the appointment of U.S. Bank National Association as the authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Paying Agent") for the Bonds. This Board hereby approves the payment of the reasonable fees and expenses of the Paying Agent as they shall become due and payable. The fees and expenses of the Paying Agent which are not paid as a cost of issuance of the Bonds may be paid in each year from ad valorem property taxes levied and collected for the payment thereof, insofar as permitted by law, including specifically by Section 15232 of the Education Code.

**SECTION 3. Tax Covenants.**

The District hereby covenants with the holders of such Bonds that, notwithstanding any other provisions of this Resolution or the County Resolution, it will (1) comply with all of the provisions of the County Resolution relating to the Rebate Fund (as defined therein) and perform all acts necessary to be performed by the District in connection therewith, and (2) make no use of the proceeds of the Bonds or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

The District will not make any use of the proceeds of the Bonds or any other funds of the District, or take or omit to take any other action, that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, so long as any Bonds are unpaid, the District, with respect to such proceeds and such other funds, will comply with all requirements of such Sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1986, as amended, to the extent such requirements are, at the time, applicable and in effect.

The District will not use or permit the use of its facilities or any portion thereof by any person other than a governmental unit, as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest paid on the Bonds. In furtherance of the foregoing tax covenants of this Section, the

District covenants that it will comply with the instructions and requirements of that certain Tax Certificate to be executed and delivered by the District on the date of issuance of such tax-exempt Bonds (the "Tax Certificate"), which is incorporated herein as if fully set forth herein. These covenants shall survive the payment in full or defeasance of the Bonds.

**SECTION 4. Legislative Determinations.** ~~This Board determines that all acts and conditions necessary to be performed by the Board or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.~~ **Rebate Fund. The following provisions shall apply to any Bonds issued as tax-exempt Bonds.**

**(a) The District shall create and establish a special fund designated the "Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code, and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien hereunder and shall be governed by this Section and by the Tax Certificate.**

**(b) Within 45 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), (1) the District shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (2) the District shall deposit to the Rebate Fund from amounts on deposit in the other funds established hereunder or from other District funds, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated. The District shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence, if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section. The District shall not be required to calculate the "rebate amount" and shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the District under Section 148(f)(4)(C)(vii) of the Code to pay a one and one-half percent (1½%) penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund." In such event, and with respect to such amounts, the District shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).**

**(c) Any funds remaining in the Rebate Fund after redemption of all the Bonds and any amounts described in paragraph (2) of subsection (d) of this Section, or provision made therefor satisfactory to the District, including accrued interest, shall be remitted to the District.**

(d) Subject to the exceptions contained in subsection (b) of this Section to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the District shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate (or have calculated) the amount of such deficiency and deposit an amount equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) Each payment required to be made pursuant to subsection (d) of this Section shall be made to the Internal Revenue Service, on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, such form to be prepared or caused to be prepared by the District.

(g) In the event that immediately following the calculation required by subsection (b) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the District may withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) The District shall retain records of all determinations made hereunder until three years after the complete retirement of the Bonds.

(i) Notwithstanding anything in this Resolution to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

SECTION 5. Legislative Determinations. This Board determines that all acts and conditions necessary to be performed by the District or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; and that no statutory or constitutional limitation of indebtedness or taxation will be exceeded in the issuance of the Bonds.

SECTION 5-6. Security for the Bonds. There shall be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct ad valorem tax annually during the period the Bonds are Outstanding (as such term is defined in the County Resolution) in an amount sufficient to pay the principal of and interest on the Bonds when due, which moneys when collected will be placed in the Debt Service Fund of the District (as such term is defined in



**the County Resolution), which fund is hereby designated for the payment of the principal of and interest on the Bonds when and as the same fall due, and for no other purpose. Pursuant to California Government Code Sections 5450 and 5451, moneys on deposit in the Debt Service Fund are hereby pledged to the payment of the principal of and interest on the Bonds, and for no other purpose.**

**SECTION 7. Official Statement.** The Preliminary Official Statement relating to the Bonds, substantially in the form on file with the Secretary to the Board is hereby approved and the Superintendent of the District, the Chief Business Official of the District, and such other officers or employees of the District as may be designated for such purpose (collectively, the "Authorized Officers"), each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to Underwriter to be used in connection with the offering and sale of the Bonds. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the Preliminary Official Statement "final" pursuant to 15c2-12 of the Securities Exchange Act of 1934, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of any final Official Statement to the purchasers of the Bonds. Execution of the Official Statement shall conclusively evidence the District's approval of the Official Statement.

**SECTION 6.8. Purchase Contract.** The form of a purchase contract by and among the County, the District and the Underwriter for the Bonds (the "Purchase Contract") on file with the Secretary to the Board is hereby approved. In connection with the sale of the Bonds, the Board authorizes the Authorized Officers, each alone, on behalf of the District, to execute and deliver to the Underwriter a Purchase Contract for the Bonds, with such terms and conditions as may be acceptable to such official; provided, however, that the interest rate on the Bonds shall not exceed that authorized at the Election, the underwriting discount (excluding original discount) shall not exceed 0.875% of the aggregate principal amount of the Bonds issued, and the aggregate principal amount of the Bonds shall not exceed \$100,000,000.~~103,000,000.~~

The Authorized Officers, each alone, are hereby authorized to select a municipal bond insurer to insure payments of interest and principal on the Bonds, so long as such Authorized Officer determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity on the Bonds.

**SECTION 7.9. Continuing Disclosure.** The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate to be executed by the District and dated the date of issuance and delivery of the Bonds (**the "Continuing Disclosure Certificate"**), as originally executed and as it may be amended from time to time in accordance with the terms thereof. **The Board hereby approves the form of the Continuing Disclosure Certificate appended to the form of Preliminary Official Statement on file with the Secretary to the Board as of the date hereof, and the Authorized Officers, each alone, are hereby authorized to execute and deliver such Continuing Disclosure Certificate with such changes therein and modifications thereto as shall be approved by the Underwriter and the Authorized Officer executing the same, such approval to be conclusively evidenced by such execution and delivery.** 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 Section. Noncompliance with this Section shall not result in acceleration of the Bonds.

**SECTION 8.10. Authorized Actions.** Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

**SECTION 9.11. Professional Services.** The Board hereby appoints Fieldman, Rolapp & Associates, as Financial Advisor, Piper Jaffray & Co. as Underwriter, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel and Disclosure Counsel, each with respect to the issuance of the Bonds

**SECTION 10.12. Recitals.** All the recitals in this Resolution above are true and correct and this Board so finds, determines and represents.

[REMAINDER OF PAGE LEFT BLANK]

**SECTION 11-13. Effective Date.** This Resolution shall take effect immediately upon its passage.

PASSED, ADOPTED AND APPROVED this 10<sup>th</sup> day of March, 2015, by the following vote:

AYES: MEMBERS \_\_\_\_\_

NOES: MEMBERS \_\_\_\_\_

ABSTAIN: MEMBERS \_\_\_\_\_

ABSENT: MEMBERS \_\_\_\_\_

\_\_\_\_\_  
President of the Board of Education

ATTEST:

\_\_\_\_\_  
Secretary of the Board of Education

SECRETARY'S CERTIFICATE

I, Dr. Judy White, Secretary to the Board of Education of the Moreno Valley Unified School District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly and legally held at the regular meeting place thereof on March 10, 2015, of which meeting all of the members of the Board of said District had due notice and at which a quorum was present.

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

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

Dated: March 10, 2015

By: \_\_\_\_\_  
Secretary to the Board of Education

Document comparison by Workshare Compare on Thursday, March 05, 2015  
2:34:21 PM

Input:	
Document 1 ID	file://C:\Users\nheuer\Documents\Moreno Valley USD\Black lines of Resolutions\DOCSSF-#108167-v2-District_Authorizing_Resolution_(Short_Form)_-_Moreno_Valley_USD_(Election_of_2014_General_Obligation_Bonds_Series_A).DOC
Description	DOCSSF-#108167-v2-District_Authorizing_Resolution_(Short_Form)_-_Moreno_Valley_USD_(Election_of_2014_General_Obligation_Bonds_Series_A)
Document 2 ID	PowerDocs://DOCSSF/108167/2
Description	DOCSSF-#108167-v2-District_Authorizing_Resolution_(Short_Form)_-_Moreno_Valley_USD_(Election_of_2014_General_Obligation_Bonds_Series_A)
Rendering set	SYCR 1

Legend:	
<u>Insertion</u>	
<del>Deletion</del>	
<del>Moved from</del>	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	33
Deletions	13
Moved from	3
Moved to	3
Style change	0
Format changed	0
Total changes	52

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

§ \_\_\_\_\_  
**MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**Election of 2014 General Obligation Bonds, Series A**

**PURCHASE CONTRACT**

\_\_\_\_\_, 2015

Riverside County  
Treasurer-Tax Collector  
4080 Lemon St. 47<sup>th</sup> Floor  
Riverside, CA 92502

Moreno Valley Unified School District  
Board of Education  
25634 Alessandro Blvd.  
Moreno Valley, CA 92553

Ladies and Gentlemen:

The undersigned (the "Underwriter") offers to enter into this Purchase Contract (the "Purchase Contract") with the County of Riverside, California (the "County"), and the Moreno Valley Unified School District (the "District"), which, upon your acceptance hereof, will be binding upon the County, the District and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the County and the District and delivery of such acceptance to us at or prior to 11:59 P.M., California Time, on the date hereof.

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell in the name and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$ \_\_\_\_\_ in aggregate initial principal amount of the District's Election of 2014 General Obligation Bonds, Series A (the "Bonds"). The Bonds shall bear interest at the rates, shall mature in the years and shall be subject to redemption as shown on Appendix A hereto, which is incorporated herein by this reference. The Bonds (as defined in the County Resolution described below) shall be dated the date of delivery thereof and shall bear interest from such date payable as to interest on each February 1 and August 1, commencing August 1, 2015. The final maturity dates, interest rates, yields and redemption provisions of the Bonds are shown in Exhibit A hereto, which exhibit is incorporated by reference herein.

The Underwriter shall purchase the Bonds at a price of \$\_\_\_\_\_ (consisting of the principal amount of the Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, and less underwriter's discount of \$\_\_\_\_\_.

The District and the County acknowledge and agree that (i) the purchase and sale of the Bonds (defined herein) pursuant to this Purchase Contract is an arm's-length commercial transaction between the District and the County, and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as principal and not as agent or a fiduciary of either the District or the County, (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the District or the County with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District or the County on other matters) or (y) any other obligation to the District or the County except the obligations expressly set forth in this Purchase Contract and (iv) the District and the County have consulted with their own legal and other professional advisors to the extent they deemed appropriate in connection with the offering of the Bonds. The District further acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required disclosure under rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

2. **The Bonds.** The Bonds shall be dated their date of delivery. The Bonds shall mature on the dates shown on Appendix A hereto, and shall otherwise be as described in the Official Statement (as defined herein), and shall be issued and secured pursuant to the provisions of the Resolution of the District adopted on March 10, 2015 (the "District Resolution") and the Resolution of the Board of Supervisors of the County adopted March 24, 2015 (the "County Resolution" and, collectively with the District Resolution, the "Resolutions") and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement (defined below) or, if not in the Official Statement, in the County Resolution.

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

[The scheduled payment of principal of and interest on the Bonds, when due will be guaranteed under an insurance policy (the "Insurance Policy"), to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_ (the "Insurer").]

3. **Use of Documents.** The District and the County hereby authorize the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Contract and an Official Statement (defined below), the Resolutions and all information contained herein and therein and all of the documents, certificates or statements furnished by the District or the County to the Underwriter in connection with the issuance and offering of the Bonds (except as such documents otherwise provide).

4. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the



right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds. On or prior to the Closing, the Underwriter shall certify to the District in writing, in form and substance satisfactory to the District and to Stradling Yocca Carlson & Rauth, a Professional Corporation, bond counsel with respect to the Bonds ("Bond Counsel"): (i) that as of the date of sale, all of the Bonds purchased were reasonably expected to be reoffered in a bona fide public offering; (ii) that as of the date of the certification, all of the Bonds purchased had actually been offered to the general public; (iii) the maximum initial bona fide offering prices at which a substantial amount (at least 10%) of each maturity of the Bonds purchased was sold or was reasonably expected to be sold to the general public.

5. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated \_\_\_\_\_, 2015 (the "Preliminary Official Statement"). The District represents that it has deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

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

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

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

6. **Closing.** At 9:00 A.M., California Time, on \_\_\_\_\_, 2015 or at such other time or on such other date as shall have been mutually agreed upon by the District and the Underwriter (the "Closing"), the District will deliver to the Underwriter, at the offices of The Depository Trust Company ("DTC") in New York, New York, or at such other place as the District and the Underwriter may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), in San Francisco, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to the account of the County.

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

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

(b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Contract and the Continuing Disclosure Certificate, to adopt the District Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution, the Continuing Disclosure Certificate, the County Resolution and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract and the Continuing Disclosure Certificate constitute valid and legally binding obligations of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract.

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

(d) Internal Revenue Code. The District has complied with the requirements of the Internal Revenue Code of 1986 (the "Code"), as amended, with respect to the Bonds.

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

(f) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of

any of the Bonds, the application of the proceeds thereof, or the levy or collection of *ad valorem* taxes contemplated by the Resolutions and available to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract or the Resolutions or contesting the powers of the District or its authority with respect to the Bonds, the Resolutions or this Purchase Contract; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Contract or the Resolutions, (b) declare this Purchase Contract to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest on the Bonds from California personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District, nor the County, nor any other person on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

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

(i) Continuing Disclosure. At or prior to the Closing, the District shall have duly authorized, executed and delivered a continuing disclosure certificate (the "Continuing Disclosure Certificate") on behalf of each obligated person for which financial and/or operating data is presented in the Official Statement. The Continuing Disclosure Certificate shall comply with the provisions of Rule 15c2-12(b)(5) (the "Rule") and be substantially in the form attached to the Official Statement in Appendix C.

(j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.

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

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

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

(b) Due Authorization. (i) At or prior to the Closing, the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the County has full legal right, power and authority to enter into this Purchase Contract, to adopt the County Resolution, to issue and deliver the Bonds to the Underwriter on behalf of the District and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract and the County Resolution; (iii) the execution and delivery or adoption of, and the performance by the County of its obligations contained in the Bonds, the County Resolution and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) assuming due authorization, execution and delivery by the other parties hereto, this Purchase Contract constitutes a valid and legally binding obligation of the County; and (v) the County has duly authorized the consummation by it of all of its transactions contemplated by this Purchase Contract.

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

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

(e) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is (1) pending, in which service of process has been completed on the County, or (2) to the best knowledge of the County, threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the several offices or of the titles of the officials of the County to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, or the levy of any taxes contemplated by the Resolutions, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract or the Resolutions or contesting the

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

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

(g) Official Statement Accurate and Complete. The section of the Preliminary Official Statement entitled "Riverside County Treasury Pool," at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the section of the Official Statement entitled "Riverside County Treasury Pool" did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

9. **Covenants of the County and the District.** The County and the District respectively covenant and agree with the Underwriter that:

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

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

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

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

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

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

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

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

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

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

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c) or MSRB Rule G-23, with

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

(d) The Underwriter has reasonably determined that the District's undertaking to provide continuing disclosure with respect to the Bonds pursuant to Section 11(e)(11) hereof is sufficient to effect compliance with the Rule.

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

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

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

(c) Adverse Rulings. To the best knowledge of the County or the District, no decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or pending or threatened which has any of the effects described in Section 7(f) and 8(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) Marketability. Between the date hereof and the Closing, the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices set forth in the Official Statement, of the Bonds shall not have been materially adversely affected in the reasonable judgment of the Underwriter (evidenced by a written notice to the County and the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court

established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

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

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

(3) the formal declaration of war by Congress or a new major engagement in or escalation of military hostilities by order of the President of the United States, or the occurrence of any other declared national emergency that interrupts or causes disorder to the operation of the financial markets in the United States for a period of more than 30 days;

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

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

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



(7) the withdrawal or downgrading of any underlying rating of the District's outstanding indebtedness by a national rating agency; or

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(9) the suspension by the SEC of trading in the outstanding securities of the District or the County.

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

(1) Bond Opinion. Approving opinion of Bond Counsel, as to the validity and federal or state tax-exempt status of the Bonds, dated the date of the Closing, addressed to the County and the District;

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter can rely upon the approving opinion described in (e)(1) above [and that the Insurer (defined herein)] can rely upon the opinion described in (e)(1) above relating to the Bonds;

(3) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the District, the Underwriter, [and the Insurer,] substantially to the effect that:

(i) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions "INTRODUCTION," "THE BONDS", [(excluding any and all information contained under the subheading "- Bond Insurance")], "LEGAL MATTERS – Continuing Disclosure" and "TAX MATTERS," to the extent they purport to summarize certain provisions of the Bonds, the Resolutions, the Continuing Disclosure Certificate and the form and content of Bond Counsel's approving opinion with respect to the treatment of interest on the Bonds under California or federal law, fairly and accurately summarize the matters purported to be summarized therein; provided that Bond Counsel need not express any opinion with respect to any financial or statistical data or forecasts, number, charts, estimates, projections, assumptions or expressions of opinion, information concerning the Depository Trust Company or related to its book-entry only system, [or any information concerning the Insurer or the Insurance Policy (as defined herein) contained therein,] and with respect to Appendices \_\_, \_\_, and \_\_ to the Official Statement;

(ii) assuming due authorization, execution and delivery by all the parties thereto, the Continuing Disclosure Certificate and this Purchase Contract have each been duly authorized, executed and delivered by the District and constitute legal, valid and binding agreements of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles, the exercise of judicial discretion in appropriate cases if equitable remedies are sought and the limitations on legal remedies against public agencies in the State of California; and

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

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

(5) Arbitrage. A nonarbitrage certificate of the District with respect to the Bonds in form satisfactory to Bond Counsel;

(6) Rating. [Evidence satisfactory to the Underwriter that (A) the Bonds shall have been rated “\_\_\_” and “\_\_\_” by Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC business (“S&P”) and Moody’s Investors Service (“Moody’s”), respectively, based upon the issuance of the Policy (as defined herein) by the Insurer (as defined herein),] and (B) the Bonds have received underlying ratings of “\_\_\_” by S&P and “\_\_\_” by Moody’s (or such other equivalent ratings as such rating agencies may give), (C) and that any such ratings have not been revoked or downgraded;

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

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

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

(8) County Resolution. An originally executed copy of the adopted County Resolution or a certificate, together with fully executed copies of the County Resolution, of an authorized officer from Clerk of the County Board of Supervisors to the effect that:

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

(ii) that the County Resolution was duly adopted;

(9) County Counsel Opinion. An opinion of Counsel to the County in substantially the form attached hereto as Appendix B;

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

(11) Continuing Disclosure Certificate. An executed copy of the Continuing Disclosure Certificate, substantially in the form presented in the Official Statement as Appendix C thereto;

(12) Disclosure Counsel Assurance. A letter of Stradling Yocca Carlson & Rauth, dated the Closing Date and addressed to the District, substantially to the effect that based on such counsel's participation in conferences with representatives of the Underwriter, the County, Fieldman, Rolapp & Associates, the District's financial advisor, the District and others, during which conferences the contents of the Official Statement and related matters were discussed, and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District, as a matter of fact and not opinion, that during the course of its engagement as Disclosure Counsel for the Bonds that no information came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, [information relating to the Insurer or its Insurance Policy,] information relating to DTC or its book-entry only system included therein, or any information contained in Appendices \_\_, \_\_, and \_\_ to the Official Statement, as to which such counsel need express no opinion or view) contained any untrue statement of a material fact or omitted to state any

material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

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

[(14) Bond Insurance. A policy of municipal bond insurance (the "Insurance Policy") from the Insurer, insuring the payment of principal of and interest on the Bonds; and

(i) a certificate of the Insurer dated the date of Closing in form and substance acceptable to the Underwriter regarding, among other matters, the due authorization, execution and validity of the bond insurance policy; and

(ii) an opinion of counsel to the Insurer, dated the date of Closing and addressed to the District and the Underwriter, to the effect that (i) the bond insurance policy is the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, and (ii) the statements in the Official Statement under the caption "THE BONDS – Bond Insurance" and "APPENDIX E" accurately reflect and fairly present the information purported to be shown therein.]

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

(f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the District to the Underwriter as set forth in Section 6 hereof, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 15 hereof.

If the County and/or the District is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the County and the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the County and the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

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

13. **Expenses.** (a) To the extent that the transactions contemplated by this Purchase Contract are consummated, the District shall pay (or cause to be paid) costs of issuance of the Bonds, including but not limited to the following (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iii) the fees of Fieldman, Rolapp & Associates, the District's financial advisor, (iv) the cost of the preparation, printing and delivery of the Bonds; (v) the fees, if any, for bond ratings, including all necessary travel expenses; (vi) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vii) the initial fees of the Paying Agent; (viii) the initial fees of the Fiscal Agent, if any [(ix) bond insurance premium]; and (x) all other fees and expenses incident to the issuance and sale of the Bonds. [The District hereby directs the Underwriter to wire, at the Closing, (i) a portion of the purchase price of the Bonds equal to \$ \_\_\_\_\_ to the Insurer for payment of the Insurance Policy premium, and] (ii) a portion of the purchase price of the Bonds equal to \$ \_\_\_\_\_ to U.S. Bank National Association, as fiscal agent to the District, for the payment of costs of issuance with respect to the Bonds. In the event that following payment of the expenses set forth above, there is any portion remaining, such remaining amount shall be deposited into the building fund for the Bonds.

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

14. **Notices.** Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the County, to the Treasurer-Tax Collector, Riverside County, 4080 Lemon St, Riverside, CA 92501, if to the District, to the Superintendent, Moreno Valley Unified School District, 25634 Alessandro Blvd. Moreno Valley, CA 92553, or if to the Underwriter, to Piper Jaffray & Co., 2321 Rosecrans Ave., Suite 3200, El Segundo, CA 90245, attention: Timothy Carty, Managing Director.

15. **Parties in Interest; Survival of Representations and Warranties.** This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter. This Purchase Contract is made solely for the benefit of the County, the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All your representations, warranties and agreements of the County and the District in this Purchase Contract shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Purchase Contract.

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

17. **Indemnification.** The District hereby agrees to indemnify, defend and hold harmless, to the extent permitted by law, the County and its officials and employees (“Indemnified Parties”), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject because of action or inaction related to the adoption of the Resolutions, or related to the proceedings for sale, award, issuance, and delivery of the Bonds in accordance therewith and herewith. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

[REMAINDER OF PAGE LEFT BLANK]

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

Very truly yours,

PIPER JAFFRAY & CO.

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

The foregoing is hereby agreed to and accepted as of the date first above written:

RIVERSIDE COUNTY

Accepted:

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

Accepted at \_\_\_\_\_ p.m. California Time  
This \_\_\_\_<sup>th</sup> day of \_\_\_\_\_, 2015

MORENO VALLEY UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Mays Kakish  
Chief Business Official

Accepted at \_\_\_\_\_ p.m. California Time  
This \_\_\_\_<sup>th</sup> day of \_\_\_\_\_, 2015

APPENDIX A

\$ \_\_\_\_\_  
MORENO VALLEY UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Election of 2014 General Obligation Bonds, Series A

\$ \_\_\_\_\_ Serial Bonds

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

\$ \_\_\_\_\_ - \_\_\_\_\_ % - Term Bond due August 1, 20\_\_ - Yield \_\_\_\_\_ %



## Redemption

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

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

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

(1)

TOTAL:

---

(1) Maturity.

**APPENDIX B**

**OPINION OF COUNTY COUNSEL**

**§ \_\_\_\_\_  
MORENO VALLEY UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Election of 2014 General Obligation Bonds, Series A**

Ladies and Gentlemen

This opinion is rendered as counsel to the County of Riverside (the "County") in connection with the issuance by the Moreno Valley Unified School District (the "District") of its Election of 2014 General Obligation Bonds, Series A in the aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Supervisors of the County adopted on March 24, 2015 (the "County Resolution"), at the request of the District made pursuant to a resolution adopted by the Board of Education of the District on March 10, 2015 (the "District Resolution").

In rendering this opinion, we have examined the County Resolution and such other documents, records and instruments and made such investigations of law and fact as we have deemed necessary to render the opinions expressed herein.

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

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

2. The Resolution was duly adopted at a meeting of the governing body of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

3. To my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the County, which would adversely impact the County's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the levy or collection of tax revenues for the Bonds or in any way contesting or affecting the validity of the Resolution or Bonds or the transactions described in and contemplated by the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Resolution, the Purchase Contract or the Bonds or in which a final adverse decision could materially adversely affect the operations of the County.

4. To my knowledge, the obligations of the County under the Bonds and the execution and delivery of the Purchase Contract and compliance with the provisions thereof, under the

circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the County is subject.

Very truly yours,

---

ASSISTANT COUNTY COUNSEL

**EXHIBIT C**  
**FORM OF BONDS**

R- \_\_\_\_\_

\$ \_\_\_\_\_

**UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE BOND RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

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

**MORENO VALLEY UNIFIED SCHOOL DISTRICT  
ELECTION OF 2014 GENERAL OBLIGATION BONDS, SERIES A**

<u>INTEREST RATE:</u>	<u>MATURITY DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP</u>
_____ %	August 1, _____	_____ 1, 2015	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Moreno Valley Unified School District (the "District") in Riverside County, California, for value received, promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year (the "Bond Payment Dates"), commencing August 1, 2015. Interest on this Bond shall be computed on the basis of a 360-day year of twelve 30-day months. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2015, in which event it shall bear interest from the date of delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if

applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, initially U.S. Bank National Association. Principal is payable upon presentation and surrender of this bond at the designated office of the Paying Agent. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). The Owner of Bonds in the aggregate principal amount of One Million Dollars (\$1,000,000) or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

This bond is one of an authorization of \$\_\_\_\_\_ of bonds approved to raise money for the purposes authorized by voters of the District at the Election, defined below; and to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite fifty-five percent vote of the qualified electors of the District cast at an election held on November 4, 2014 (the "Election"), upon the question of issuing bonds in the amount of \$398,000,000 and resolutions of the Board of Education of the District adopted on March 10, 2015 and by the Board of Supervisors of the County on March 24, 2015 (collectively, the "Bond Resolution"). This bond is being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code. This bond and the issue of which this bond is one are general obligations of the District payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount in accordance with California Education Code Sections 15250 and 15252.

The bonds of this issue comprise \$\_\_\_\_\_ principal amount of Current Interest Bonds, of which this bond is a part.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the designated office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

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

The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 20\_\_ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 20\_\_, at a redemption price equal to the principle amount of the Bonds called for redemption, together with interest accrued thereon to the date

fixed for redemption, without premium.

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

Redemption Date (August 1)	<u>Principal Amount</u>
Total	
_____	
(1) Final Maturity.	

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

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

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

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

IN WITNESS WHEREOF, the Board of Supervisors has caused this Bond to be executed on behalf of the District, by the facsimile signatures of the Chairman of the Board of Supervisors of the County and the Treasurer-Tax Collector of the County, and to be countersigned by the facsimile

signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

\_\_\_\_\_  
Chairman of the Board of Supervisors

COUNTERSIGNED:

\_\_\_\_\_  
Clerk of the Board of Supervisors

\_\_\_\_\_  
Treasurer-Tax Collector of the County of Riverside

**(FORM OF CERTIFICATE OF AUTHENTICATION)**

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on \_\_\_\_\_, 2015.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: \_\_\_\_\_  
Authorized Representative

**(FORM OF LEGAL OPINION)**

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

\_\_\_\_\_  
Clerk of the Board of Supervisors of the County of  
Riverside



**(FORM OF STATEMENT OF INSURANCE)**

**(FORM OF ASSIGNMENT)**

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Name, Address, and Tax Identification or Social Security Number of Assignee)

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

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

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

**NEW ISSUE—FULL BOOK-ENTRY**

**RATINGS: Moody's "\_\_\_"; S&P "\_\_\_"  
See "MISCELLANEOUS – Ratings" herein**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.*

**\$100,000,000\***

**MORENO VALLEY UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Election of 2014 General Obligation Bonds, Series A**

**Dated: Date of Delivery**

**Due: August 1, as shown on inside cover**

*This cover page contains certain information for general 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.*

The Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of the registered voters of the Moreno Valley Unified School District (the "District") held on November 4, 2014, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$398,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

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

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 the Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be issued as current interest bonds. Interest on the Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

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

**The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as further described herein.\***

**Maturity Schedule\***  
**(See inside front cover)**

*The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for the Underwriter by \_\_\_\_\_, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of Cede & Co., as nominee of The Depository Trust Company, in New York, New York, on or about \_\_\_\_\_, 2015.\**

**Piper Jaffray & Co.**

Dated: \_\_\_\_\_, 2015

\* Preliminary, subject to change.

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

**MATURITY SCHEDULE**

**\$100,000,000\***

**MORENO VALLEY UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Election of 2014 General Obligation Bonds, Series A**

**Base CUSIP<sup>(1)</sup>: 616871**

**\$ \_\_\_\_\_ Serial Bonds**

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

**\$ \_\_\_\_\_ - \_\_\_\_% Term Bonds, due August 1, 20\_\_, Yield \_\_\_\_%; CUSIP<sup>(1)</sup>: \_\_\_\_\_**

\* Preliminary, subject to change.

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR 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 AND 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 COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

**MORENO VALLEY UNIFIED SCHOOL DISTRICT**

**Board of Education**

Gary Baugh, Ed.S., *President*  
Cleveland Johnson, *Vice President*  
Jesus M. Holguin, *Clerk*  
Denise Fleming, Ed.D., *Member*  
*, Member*

**District Administration**

Judy D. White, Ed.D., *Superintendent*  
Mays Kakish, *Chief Business Official*

**PROFESSIONAL SERVICES**

**Bond and Disclosure Counsel**

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

**Financial Advisor**

Fieldman, Rolapp & Associates, Inc.  
*Irvine, California*

**Paying Agent, Registrar and Transfer Agent**

U.S. Bank National Association  
*Los Angeles, California*

# TABLE OF CONTENTS

Page

<b>INTRODUCTION</b> .....	<b>1</b>
THE DISTRICT .....	1
PURPOSE OF THE BONDS .....	1
AUTHORITY FOR ISSUANCE OF THE BONDS .....	1
SOURCES OF PAYMENT FOR THE BONDS .....	2
DESCRIPTION OF THE BONDS .....	2
TAX MATTERS .....	2
OFFERING AND DELIVERY OF THE BONDS.....	3
BOND OWNER’S RISKS .....	3
CONTINUING DISCLOSURE.....	3
FORWARD LOOKING STATEMENTS .....	3
PROFESSIONALS INVOLVED IN THE OFFERING .....	4
OTHER INFORMATION .....	4
<b>THE BONDS</b> .....	<b>5</b>
AUTHORITY FOR ISSUANCE.....	5
SECURITY AND SOURCES OF PAYMENT .....	5
GENERAL PROVISIONS .....	6
ANNUAL DEBT SERVICE .....	7
APPLICATION AND INVESTMENT OF BOND PROCEEDS .....	7
REDEMPTION .....	8
BOOK-ENTRY ONLY SYSTEM.....	10
DISCONTINUATION OF BOOK-ENTRY ONLY SYSTEM; PAYMENT TO BENEFICIAL OWNERS .....	12
DEFEASANCE .....	13
<b>ESTIMATED SOURCES AND USES OF FUNDS</b> .....	<b>14</b>
<b>TAX BASE FOR PAYMENT OF BONDS</b> .....	<b>15</b>
<i>AD VALOREM</i> PROPERTY TAXATION .....	15
ASSESSED VALUATIONS.....	16
ASSESSED VALUATION BY LAND USE.....	17
ASSESSED VALUATION BY JURISDICTION. ....	17
ASSESSED VALUATION OF SINGLE FAMILY HOMES. ....	18
APPEALS AND ADJUSTMENTS OF ASSESSED VALUATIONS.....	18
SECURED TAX CHARGES AND DELINQUENCIES .....	19
ALTERNATIVE METHOD OF TAX APPORTIONMENT - “TEETER PLAN” .....	19
TAX RATES .....	20
PRINCIPAL TAXPAYERS.....	21
STATEMENT OF DIRECT AND OVERLAPPING DEBT.....	21
<b>CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS</b> .....	<b>23</b>
ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION .....	23
LEGISLATION IMPLEMENTING ARTICLE XIII A .....	24
UNITARY PROPERTY .....	24
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION .....	24
ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION .....	25
PROPOSITION 26.....	26
PROPOSITIONS 98 AND 111 .....	26
PROPOSITION 39.....	28
PROPOSITION 1A AND PROPOSITION 22 .....	29
<i>JARVIS VS. CONNELL</i> .....	29
PROPOSITION 30.....	30
PROPOSITION 2.....	30
FUTURE INITIATIVES .....	31

**TABLE OF CONTENTS (cont'd)**

	<u>Page</u>
<b>DISTRICT FINANCIAL INFORMATION .....</b>	<b>32</b>
STATE FUNDING OF EDUCATION .....	32
OTHER REVENUE SOURCES .....	36
STATE DISSOLUTION OF REDEVELOPMENT AGENCIES .....	38
BUDGET PROCESS .....	39
ACCOUNTING PRACTICES .....	43
COMPARATIVE FINANCIAL STATEMENTS .....	43
STATE BUDGET .....	45
<b>MORENO VALLEY UNIFIED SCHOOL DISTRICT .....</b>	<b>50</b>
INTRODUCTION .....	50
ADMINISTRATION .....	51
AVERAGE DAILY ATTENDANCE AND ENROLLMENT .....	52
LABOR RELATIONS .....	53
RETIREMENT PROGRAMS .....	53
OTHER POST-EMPLOYMENT BENEFITS .....	57
RISK MANAGEMENT .....	58
JOINT POWERS AGREEMENTS .....	59
DISTRICT DEBT STRUCTURE .....	60
<b>TAX MATTERS.....</b>	<b>65</b>
<b>LEGAL MATTERS .....</b>	<b>66</b>
LEGALITY FOR INVESTMENT IN CALIFORNIA .....	66
CONTINUING DISCLOSURE .....	66
NO LITIGATION.....	67
INFORMATION REPORTING REQUIREMENTS .....	67
LEGAL OPINION .....	68
<b>MISCELLANEOUS.....</b>	<b>68</b>
RATINGS .....	68
FINANCIAL STATEMENTS .....	68
UNDERWRITING .....	68
ADDITIONAL INFORMATION .....	69
<b>APPENDIX A: FORM OPINION OF BOND COUNSEL FOR THE BONDS .....</b>	<b>A-1</b>
<b>APPENDIX B: EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS.....</b>	<b>B-1</b>
<b>APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS .....</b>	<b>C-1</b>
<b>APPENDIX D: GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF                   MORENO VALLEY AND RIVERSIDE COUNTY .....</b>	<b>D-1</b>
<b>APPENDIX E: RIVERSIDE COUNTY INVESTMENT POOL .....</b>	<b>E-1</b>



**\$100,000,000\***  
**MORENO VALLEY UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**Election of 2014 General Obligation Bonds, Series A**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides information in connection with the sale of the Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds").

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

**The District**

The Moreno Valley Unified School District (the "District") was organized as a unified school district in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in Riverside County, California (the "County"). The District operates twenty-three elementary schools, six middle schools, four high schools, one charter school, and eight other alternative schools. Total enrollment for the District is 34,122 in fiscal year 2014-15. For fiscal year 2014-15, the District has projected an average daily attendance ("ADA") of 32,416 students, and taxable property within the District has an assessed valuation of \$11,768,835,431.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions on the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Judy D. White is the District Superintendent and Ms. Mays Kakish is the Chief Business Official.

See "TAX BASE FOR PAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "MORENO VALLEY UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for more information regarding the District.

**Purpose of the Bonds**

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

**Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the California Government Code and other applicable law, and pursuant to the Resolutions (defined herein). See "THE BONDS – Authority for Issuance" herein.

---

\* Preliminary, subject to change.

## Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes upon all property within the District subject to taxation thereby, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR PAYMENT OF BONDS" herein.

## Description of the Bonds

**Form and Registration.** The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the County Resolution (as defined herein). See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

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

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

**Redemption.\*** The Bonds maturing on or after August 1, 20\_\_ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 20\_\_, or on any date thereafter, as a whole or in part. The Term Bonds are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption" herein.

**Payments.** The Bonds will be dated as of the date of their initial issuance (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2015. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

## Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements

---

\* Preliminary, subject to change.

described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the "State") personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax. See "TAX MATTERS" herein.

### **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2015.\*

### **Bond Owner's Risks**

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes, which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District's financial condition and taxation of property within the District, see "TAX BASE FOR PAYMENT OF BONDS," "MORENO VALLEY UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

### **Continuing Disclosure**

The District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto.

### **Forward Looking Statements**

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS,

---

\* Preliminary, subject to change.

PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

### **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman, Rolapp & Associates, Inc. is acting as Financial Advisor to the District with respect to the Bonds. Certain matters will be passed on for the Underwriter (as defined herein) by \_\_\_\_\_, \_\_\_\_\_, California.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Moreno Valley Unified School District, 25634 Alessandro Boulevard, Moreno Valley, California 92553, telephone: (951) 571-7500. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms by the Resolutions (defined herein).

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, Article XIII A of the State Constitution and pursuant to a resolution adopted by the Board on March 10, 2015 (the "District Resolution") and a Resolution of the Board of Supervisor's of the County on March 24, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions"). The District received authorization at an election held on November 4, 2014 by the requisite 55% or more of the votes cast by eligible voters within the District to issue \$398,000,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). The Bonds are the first issuance of bonds under the 2014 Authorization. After the issuance of the Bonds, \$298,000,000\* of the 2014 Authorization will remain unissued.

### Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property within the District subject to taxation thereby, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund (defined herein), which is segregated and maintained by the County and which is available for the payment of the principal of and interest on the Bonds when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged amounts on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds, and although the County will maintain the Debt Service Fund and the Building Fund, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

---

\* Preliminary, subject to change.

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

### **General Provisions**

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

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015. Interest on Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2015, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover hereof.

Payments of interest will be made on any Bond Payment Date to the person appearing on the registration books of the Paying Agent as the registered Owner of such Bond as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), such interest to be paid by wire transfer or check mailed to such Owner on the Bond Payment Date, at the Owner's address as it appears on such registration books or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable in lawful money of the United States of America upon maturity or earlier redemption, as applicable, upon surrender of the applicable Bond at the principal office of the Paying Agent. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

## Annual Debt Service

The following table shows the annual debt service requirements of the District for the Bonds, assuming no optional redemptions are made:

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

Total

<sup>(1)</sup> Interest payments on Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

See "MORENO VALLEY UNIFIED SCHOOL DISTRICT -- District Debt Structure" herein for a complete debt service schedule of all of the District's outstanding general obligation bonded debt.

### Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

**Building Fund.** The proceeds of the sale of the Bonds, net costs of issuance, will be deposited in the fund held by the County and known as the "Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A Building Fund" (the "Building Fund") and will be applied only for the purposes authorized by the voters at the Election and for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund will be retained therein.

**Debt Service Fund.** The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the fund held by the County and known as the "Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A Debt Service Fund" (the "Debt Service Fund"). Any accrued interest or premium received by the District from the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

**Expected Investment of Bond Proceeds.** In accordance with the Resolutions and subject to federal tax restrictions, moneys in the Debt Service Fund and the Building Fund may be invested in the following: (i) lawful investment permitted by Sections 16429.1 and 53601 ("Section 53601") of the State Government Code; (ii) shares in a State common law trust established pursuant to Title 1, Division 7,

Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code; (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Bonds, (iv) the Local Agency Investments Fund of the State Treasurer, (v) the County's Investment Pool (defined herein), and (vi) State and Local Government Series Securities.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County's pooled investment fund (the "Investment Pool"). See "APPENDIX E - RIVERSIDE COUNTY INVESTMENT POOL" hereto.

**Redemption**

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

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

<b>Redemption Date (August 1)</b>	<b>Principal Amount to be Redeemed</b>
---------------------------------------	--

---

<sup>(1)</sup> Maturity.

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

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

---

\* Preliminary, subject to change.



**Notice of Redemption.** When redemption is authorized or required pursuant to the County Resolution, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) 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 portion of the principal 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.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) such Redemption Notice to such other persons will be provided as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the County Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will 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 will 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.

**Rescission of Notice of Redemption.** With respect to any notice of optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof will be deemed to have been defeased as described in "—Defeasance" herein, such notice will state that such redemption will be conditioned upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Bonds shall be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that

such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such notice in the same manner as such notice was originally provided.

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

***Effect of Notice of Redemption.*** If notice of redemption is given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) has been set aside as described in “—Defeasance” herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the optional redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust so as to be available therefor on such redemption date, and if Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

***Bonds No Longer Outstanding.*** When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the provisions of the County Resolution, or with respect to which instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, if applicable, accrued interest thereon the date fixed for redemption, all as provided in the County Resolution, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

### **Book-Entry Only System**

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or 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 “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.*

The DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond

certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). However, the information presented on such website is not incorporated herein by reference.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners

of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the County Resolution.

*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, registration, transfer, exchange and replacement of the Bonds.*

The principal of the Bonds and any premium and interest 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 principal office of the Paying Agent. 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 amount, interest 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 like series, tenor, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, 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 on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the 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 will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the transfer amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

### **Defeasance**

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

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

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

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be

paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service (“Moody’s”) or Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC business (“S&P”). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P or Moody’s.

### **ESTIMATED SOURCES AND USES OF FUNDS**

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

#### **Sources of Funds**

Principal Amount of Bonds  
Original Issue Premium  
Total Sources

#### **Uses of Funds**

Building Fund  
Debt Service Fund  
Costs of Issuance<sup>(1)</sup>  
Underwriter’s Discount  
Total Uses

<sup>(1)</sup> Reflects the costs of issuance of the Bonds, including, but not limited to, the demographics and filing fees, printing costs, legal fees, financial advisory fees, and the costs and fees of the Paying Agent to be paid from proceeds of the Bonds.

## TAX BASE FOR PAYMENT OF BONDS

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

### **Ad Valorem Property Taxation**

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1, respectively and become delinquent on December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of the County. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also " - Secured Tax Charges and Delinquencies" herein.

State law exempts from taxation \$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 agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

**Assessed Valuations**

Property within the District has a total assessed valuation for fiscal year 2014-15 of \$11,768,835,431. The following table represents a seven-year history of assessed valuations in the District.

**ASSESSED VALUATIONS**  
**Fiscal Years 2008-09 through 2014-15**  
**Moreno Valley Unified School District**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$12,369,536,082	\$488,325	\$424,865,178	\$12,794,889,585
2009-10	10,479,633,085	488,325	424,967,700	10,905,089,110
2010-11	10,029,808,159	488,325	444,893,126	10,475,189,610
2011-12	9,970,112,793	488,325	501,302,675	10,471,903,793
2012-13	10,248,292,680	23,650	553,040,828	10,801,357,158
2013-14	10,373,968,642	23,650	538,381,188	10,912,373,480
2014-15	11,228,439,019	23,650	540,372,762	11,768,835,431

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.



**Assessed Valuation by Land Use**

The following shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2014-15 assessed valuation of such parcels.

**ASSESSED VALUATION AND PARCELS BY LAND USE  
Fiscal Year 2014-15  
Moreno Valley Unified School District**

<u>Non-Residential:</u>	<u>2014-15 Assessed Valuation</u> <sup>(1)</sup>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Rural/Undeveloped	\$87,393,669	0.78%	321	0.74%
Commercial/Industrial	2,926,478,885	26.06	1,062	2.43
Vacant Commercial/Industrial	360,374,339	3.21	720	1.65
Miscellaneous	<u>217,263</u>	<u>0.00</u>	<u>9</u>	<u>0.02</u>
Subtotal Non-Residential	\$3,374,464,156	30.05%	2,112	4.84%
 <u>Residential:</u>				
Single Family Residence	\$6,856,290,779	61.06%	37,027	84.78%
Condominium/Townhouse	50,000,930	0.45	499	1.14
Mobile Home	30,038,363	0.27	840	1.92
2-4 Residential Units	55,227,524	0.49	288	0.66
5+ Residential Units/Apartments	704,466,442	6.27	437	1.00
Vacant Residential	<u>157,950,825</u>	<u>1.41</u>	<u>2,469</u>	<u>5.65</u>
Subtotal Residential	\$7,853,974,863	69.95%	41,560	95.16%
 Total	 \$11,228,439,019	 100.00%	 43,672	 100.00%

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

**Assessed Valuation by Jurisdiction.**

The following table shows the fiscal year 2014-15 assessed valuation of the District by jurisdiction.

**ASSESSED VALUATION BY JURISDICTION<sup>(1)</sup>  
Fiscal Year 2014-15  
Moreno Valley Unified School District**

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Moreno Valley	\$9,914,590,101	84.24%	\$12,199,658,731	81.27%
City of Riverside	1,248,222,391	10.61	\$24,614,768,393	5.07%
Unincorporated Riverside County	<u>606,022,939</u>	<u>5.15</u>	\$34,589,271,495	1.75%
Total District	\$11,768,835,431	100.00%		
 Riverside County	 \$11,768,835,431	 100.00%	 \$225,770,065,829	 5.21%

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

## Assessed Valuation of Single Family Homes.

The following table displays the per-parcel analysis of single family residences within the District, in terms of their fiscal year 2014-15 assessed valuation.

	<u>No. of Parcels</u>	<u>2014-15 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	37,027	\$6,856,290,779	\$185,170	\$175,964

<u>2014-15 Assessed Valuation</u>	<u>No. of Parcels<sup>(1)</sup></u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	19	0.051%	0.051%	\$404,925	0.006%	0.006%
25,000 - 49,999	283	0.764	0.816	11,724,647	0.171	0.177
50,000 - 74,999	686	1.853	2.668	44,211,863	0.645	0.822
75,000 - 99,999	1,807	4.880	7.549	161,526,868	2.356	3.178
100,000 - 124,999	3,977	10.741	18.289	451,935,637	6.592	9.769
125,000 - 149,999	5,670	15.313	33.603	778,774,515	11.359	21.128
150,000 - 174,999	5,829	15.743	49.345	945,263,051	13.787	34.915
175,000 - 199,999	4,963	13.404	62.749	928,349,917	13.540	48.455
200,000 - 224,999	4,208	11.365	74.113	891,324,438	13.000	61.455
225,000 - 249,999	3,185	8.602	82.715	752,862,489	10.981	72.435
250,000 - 274,999	2,356	6.363	89.078	615,910,369	8.983	81.418
275,000 - 299,999	1,786	4.824	93.902	509,910,265	7.437	88.856
300,000 - 324,999	1,164	3.144	97.045	360,779,814	5.262	94.118
325,000 - 349,999	540	1.458	98.504	182,021,657	2.655	96.772
350,000 - 374,999	257	0.694	99.198	92,735,159	1.353	98.125
375,000 - 399,999	145	0.392	99.589	55,798,945	0.814	98.939
400,000 - 424,999	52	0.140	99.730	21,444,603	0.313	99.252
425,000 - 449,999	39	0.105	99.835	16,870,188	0.246	99.498
450,000 - 474,999	13	0.035	99.870	6,002,910	0.088	99.585
475,000 - 499,999	7	0.019	99.889	3,416,061	0.050	99.635
500,000 and greater	41	0.111	100.000	25,022,458	0.365	100.000
Total	37,027	100.000%		\$6,856,290,779	100.000%	

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

## Appeals and Adjustments of Assessed Valuations

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A.

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

### Secured Tax Charges and Delinquencies

The following table sets forth secured tax charges and delinquency information for the District for fiscal years 2007-08 through 2013-14.

**SECURED TAX CHARGES AND DELINQUENCIES**  
**Fiscal Years 2007-08 through 2013-14**  
**Moreno Valley Unified School District**

	<u>Secured Tax Charge</u> <sup>(1)</sup>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2007-08	\$3,641,069.54	\$397,547.33	10.92%
2008-09	3,749,890.70	246,475.22	6.57
2009-10	2,722,677.47	87,871.79	3.23
2010-11	3,285,684.48	83,376.99	2.54
2011-12	3,999,812.26	81,292.67	2.03
2012-13	4,096,238.60	39,904.37	0.97
2013-14	4,483,102.66	45,541.00	1.02

<sup>(1)</sup> General obligation bond debt service levy.  
Source: California Municipal Statistics, Inc.

### Alternative Method of Tax Apportionment - "Teeter Plan"

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

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a

level of three percent of the total of all taxes and assessments levied on the secured roll for that year, one percent of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the ten percent tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

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

**Tax Rates**

The following table summarizes the total *ad valorem* tax rates levied, as a percentage of assessed valuation, by all taxing entities in a typical tax rate area (a “TRA”) within the District during the period from fiscal year 2009-10 to fiscal year 2014-15.

**SUMMARY OF AD VALOREM TAX RATES  
Fiscal Years 2009-10 through 2014-15  
Moreno Valley Unified School District**

(TRA 21-183 – 2014-15 Assessed Valuation: \$714,218,590)

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Metropolitan Water District	.00430	.00370	.00370	.00350	.00350	.00350
Moreno Valley Unified School District	.02660	.03357	.04096	.04060	.04354	.04071
Riverside Community College District	<u>.01242</u>	<u>.01499</u>	<u>.01700</u>	<u>.01702</u>	<u>.01768</u>	<u>.01791</u>
Total	1.04332%	1.05226%	1.06166%	1.06112%	1.06472%	1.06212%

*Source: California Municipal Statistics, Inc.*

## Principal Taxpayers

The following table lists the major taxpayers in the District based on their fiscal year 2014-15 secured assessed valuations.

### LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2014-15 Moreno Valley Unified School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1.	HF Logistics SKX T1	Industrial	\$128,078,847	1.14%
2.	IIT Inland Empire Logistics Center	Industrial	118,635,616	1.06
3.	Sysco Riverside Inc.	Industrial	109,874,316	0.98
4.	State Street Bank & Trust Co. of California	Industrial	84,999,998	0.76
5.	Stonegate 552	Apartments	82,989,303	0.74
6.	2250 Town Circle Holdings	Commercial	72,688,330	0.65
7.	Canyon Springs Marketplace Corp.	Commercial	70,277,815	0.63
8.	Canyon Crossing Dunhill	Commercial	53,806,662	0.48
9.	Riverside Sycamore	Commercial	52,344,810	0.47
10.	Campus Opco	Commercial	51,750,000	0.46
11.	Syccanyons & Sierra	Commercial	51,500,000	0.46
12.	Prologis	Industrial	51,436,370	0.46
13.	Bottling Group	Industrial	50,720,518	0.45
14.	Wal Mart Real Estate Business Trust	Commercial	49,023,029	0.44
15.	Sun Life Assurance Co.	Commercial	48,314,878	0.43
16.	Moreno Valley Day Street Apartments	Apartments	45,817,949	0.41
17.	WNRA Moreno Valley	Apartments	45,000,000	0.40
18.	Moreno Valley Apartments One	Apartments	39,615,186	0.35
19.	Buckhead Cactus Commerce	Commercial	37,676,698	0.34
20.	Target Corp.	Commercial	<u>36,295,211</u>	<u>0.32</u>
			\$1,280,845,536	11.41%

<sup>(1)</sup> 2014-15 Local Secured Assessed Valuation: \$11,228,439,019.

Source: California Municipal Statistics, Inc.

## Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of February 1, 2015, for debt issued as of January 16, 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 representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column 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 the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING DEBT**  
**Fiscal Year 2014-15**  
**Moreno Valley Unified School District**

**2014-15 Assessed Valuation:** \$11,768,835,431

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 2/1/15</u></b>
Metropolitan Water District	0.507%	\$646,349
Eastern Municipal Water District, I.D. No. U-22	64.642	1,696,206
Riverside City Community College District	14.073	31,959,406
<b>Moreno Valley Unified School District</b>	<b>100.000</b>	<b>33,588,521<sup>(1)</sup></b>
City of Riverside	5.071	679,260
City of Riverside Community Facilities District No. 92-1	100.000	7,930,000
Moreno Valley Unified School District Community Facilities Districts	100.000	85,170,000
Eastern Municipal Water District Community Facilities Districts	14.929-100.000	7,316,744
City of Moreno Valley Community Facilities Districts	100.000	<u>8,275,000</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$177,261,486</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Riverside County General Fund Obligations	5.213%	\$ 34,257,064
Riverside County Pension Obligation Bonds	5.213	17,438,267
Riverside County Board of Education Certificates of Participation	5.213	95,659
<b>Moreno Valley Unified School District Certificates of Participation</b>	<b>100.000</b>	<b>13,280,000</b>
City of Moreno Valley Certificates of Participation	81.269	51,836,213
City of Riverside General Fund and Pension Obligation Bonds	5.071	<u>15,839,293</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$132,746,496</b>
Less: Riverside County supported obligations		<u>439,886</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$132,306,610</b>
<b><u>OVERLAPPING TAX INCREMENT DEBT:</u></b>		<b>\$82,098,368</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$392,106,350<sup>(2)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$391,666,464</b>

**Ratios to 2014-15 Assessed Valuation:**

<b>Direct Debt (\$33,588,521)</b> .....	<b>0.29%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.51%
<b>Combined Direct Debt (\$46,868,521)</b> .....	<b>0.40%</b>
Gross Combined Total Debt.....	3.33%
Net Combined Total Debt .....	3.33%

**Ratios to Redevelopment Incremental Valuation (\$3,360,212,695):**

Total Overlapping Tax Increment Debt.....	2.44%
---	-------

<sup>(1)</sup> Excludes the Bond described herein.

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

Source: California Municipal Statistics, Inc.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to 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 taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.*

### Article XIII A of the California Constitution

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

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

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

## **Legislation Implementing Article XIII A**

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

Increases of assessed valuation resulting from reappraisals of property due to new construction or change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

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

## **Unitary Property**

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

The State electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

## **Article XIII B of the California Constitution**

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

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



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

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

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

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

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

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

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related

fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### **Proposition 26**

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

### **Propositions 98 and 111**

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

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

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

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

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

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

raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

### **Proposition 39**

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district) when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution.

These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

### **Proposition 1A and Proposition 22**

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to 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. See also "DISTRICT FINANCIAL INFORMATION – State Dissolution of Redevelopment Agencies" herein.

### ***Jarvis vs. Connell***

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

employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

### **Proposition 30**

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

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

### **Proposition 2**

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum

size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 22, 26, 30, 39 and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## DISTRICT FINANCIAL INFORMATION

*The information in this section concerning the State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

### **State Funding of Education**

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

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

The following table reflects the District's historical ADA and the revenue limit rates per unit of ADA for fiscal years 2004-05 through 2012-13.



**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**  
**Fiscal Years 2004-05 through 2012-13**  
**Moreno Valley Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance<sup>(1)</sup></u>	<u>Annual Change In ADA</u>	<u>Base Revenue Limit per ADA<sup>(2)</sup></u>	<u>Deficit Revenue Limit per ADA<sup>(2)</sup></u>	<u>Enrollment<sup>(3)</sup></u>
2004-05	34,131	--	\$4,964	\$4,948	35,937
2005-06	34,385	254	5,175	5,129	37,019
2006-07	34,755	370	5,543	5,543	37,224
2007-08	34,562	(193)	5,795	5,795	37,129
2008-09	33,899	(663)	6,124	5,644	35,991
2009-10	34,157	258	6,386	5,214	36,285
2010-11	34,072	(85)	6,384	5,237	36,039
2011-12	33,857	(215)	6,504	5,220	35,868
2012-13	32,791	(10)	6,716	5,220	35,046

<sup>(1)</sup> Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is each four-week period of instruction beginning with the first day of school for any school district. Excludes County operated programs.

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

<sup>(3)</sup> Enrollment as of October California Basic Educational Data System ("CBEDS") in each school year.

Source: Moreno Valley Unified School District.

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

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

In the first year of the LCFF implementation, the Base Grants per unit of ADA for each grade span were as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "DISTRICT FINANCIAL INFORMATION – State Budget" herein.

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

School districts that serve students of limited English proficiency (“EL” students), students from low-income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). 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 by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2014-15.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Years 2012-13 through 2014-15**  
**Moreno Valley Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance<sup>(1)</sup></u>				<u>Total ADA</u>	<u>Enrollment<sup>(2)</sup></u>	
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>		<u>Total Enrollment</u>	<u>% of EL/LI Enrollment</u>
2012-13	10,368	7,795	5,181	9,447	32,791	35,046	n/a
2013-14	10,150	7,682	5,220	9,648	32,700	34,404	84.84%
2014-15	10,150	7,682	5,220	9,364	32,416	34,122	83.49%

<sup>(1)</sup> Except for fiscal year 2014-15, reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is each four-week period of instruction beginning with the first day of school for any school district. Excludes County operated programs.

<sup>(2)</sup> Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 and 2014-15 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students will be based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

<sup>(3)</sup> The District did not calculate the EL/LI student enrollment prior to the implementation of the LCFF in fiscal year 2013-14.

<sup>(4)</sup> Projected.

Source: *Moreno Valley Unified School District.*

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on,

equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. 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. Most school districts, including the District, receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

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

**Accountability.** Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

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

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

***Other State Sources.*** In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

#### **Other Revenue Sources**

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

**Developer Fees.** The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of \$4.02 per square foot, while commercial development is assessed a fee of \$0.51 per square foot. The following table summarizes the revenues received by the District from developer fees over the last 12 years and a projection for the current fiscal year.

**DEVELOPER FEES**  
**Fiscal Years 2002-03 through 2014-15**  
**Moreno Valley Unified School District**

<u>Year</u>	<u>Developer Fees Collected</u>
2002-03	\$4,092,275
2003-04	8,620,559
2004-05	14,704,324
2005-06	14,717,695
2006-07	6,480,931
2007-08	1,565,512
2008-09	1,235,483
2009-10	1,200,061
2010-11	1,297,342
2011-12	869,936
2012-13	1,108,386
2013-14	927,206
2014-15 <sup>(1)</sup>	900,000

<sup>(1)</sup> Projected.

Source: Moreno Valley Unified School District.

**Redevelopment Revenues.** The District has agreements with a number of redevelopment agencies, pursuant to which the District has, in the past, received pass-through tax increment revenues received by such agencies (the "Pass-Through Revenues"). The Pass-Through Revenues are not offset against the State apportionment received by the District and are deposited into the general fund. The following table summarizes the Pass-Through Revenues received by the District from such redevelopment agencies over the last seven fiscal years, and a projection for the current fiscal year.

**REDEVELOPMENT REVENUES**  
**Fiscal Years 2007-08 through 2014-15**  
**Moreno Valley Unified School District**

<u>Fiscal Year</u>	<u>Total Redevelopment Revenues Received</u>
2007-08	\$39,133
2008-09	467,776
2009-10	481,581
2010-11	458,402
2011-12	424,630
2012-13	1,130,044
2013-14	1,212,647
2014-15 <sup>(1)</sup>	1,212,647

<sup>(1)</sup> Projected.

Source: Moreno Valley Unified School District.

**State Dissolution of Redevelopment Agencies**

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

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment

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

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities, including to the District. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs to the District are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values . . . and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

## **Budget Process**

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first.

A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 15 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 15, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

**Budget Projections.** The District currently projects that it will meet the minimum general fund reserve requirement in fiscal years 2014-15 and 2015-16, maintaining unrestricted general fund reserves of approximately 11.9%, and 9.71%, respectively for such years. The District currently projects an operating deficit in fiscal year 2014-15 of approximately \$9,608,361. The District currently projects an operating deficit in 2015-16 of approximately \$10,991,451.



**General Fund Budgeting.** The table on the following page summarizes the District's general fund adopted budgets for fiscal years 2011-12 through 2014-15, audited ending results for fiscal years 2011-12 through 2013-14, and projected ending results for fiscal year 2014-15.

[REMAINDER OF PAGE LEFT BLANK]

**GENERAL FUND BUDGETING**  
**Fiscal Years 2011-12 through 2014-15**  
**Moreno Valley Unified School District**

	Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15	
	Adopted Budget <sup>(1)</sup>	Audited Actuals <sup>(1)</sup>	Adopted Budget <sup>(1)</sup>	Audited Actuals <sup>(1)</sup>	Adopted Budget <sup>(1)</sup>	Audited Actuals <sup>(1)</sup>	Adopted Budget	Audited Actuals
<b>REVENUES:</b>								
LCFF/Revenue Limit Sources <sup>(3)</sup>	\$181,772,548	\$179,248,370	\$164,381,544	\$178,472,328	\$175,894,154	\$219,728,249	\$251,829,964	\$254,921,884
Federal Revenue	19,221,532	21,842,482	20,216,886	20,905,950	18,327,179	20,510,749	20,212,537	22,759,422
Other State Revenue	54,551,299	59,103,772	58,003,442	60,208,791	63,419,720	39,601,685	33,580,886	66,928,834
Other Local Revenue	5,395,055	3,528,417	6,165,722	4,046,067	3,590,202	3,377,975	2,958,303	4,995,310
Total Revenues	260,940,434	263,723,041	248,767,594	263,633,136	261,231,255	283,218,658	308,581,690	349,605,450
<b>EXPENDITURES:</b>								
Certificated Salaries	134,662,441	134,012,866	132,271,296	131,193,617	131,825,004	\$136,763,980	\$151,251,424	\$151,412,681
Classified Salaries	42,571,742	42,412,269	41,648,817	41,201,952	43,243,778	43,163,819	49,776,457	49,828,075
Employee Benefits	52,972,932	54,809,141	57,826,801	52,205,628	52,306,380	53,159,451	59,231,775	59,830,845
Books and Supplies	11,270,983	8,951,735	8,565,515	8,733,217	14,300,906	10,690,337	15,800,643	29,761,526
Services and Operating Expenditures	24,179,462	25,255,218	24,278,032	23,571,278	23,283,805	30,486,575	31,232,173	34,367,968
Capital Outlay	629,070	928,000	1,371,902	1,207,018	264,398	362,345	1,495,983	34,076,261
Other Outgo	1,894,825	47,181	1,886,050	78,101	1,888,175	2,846,058	1,942,870	2,877,870
Transfers of Indirect Costs	(361,000)	(355,910)	(388,487)	(340,976)	(538,882)	(536,305)	(720,064)	(723,075)
Debt Service	--	1,894,113	--	1,889,042	--	--	--	--
Total Expenditures	267,820,456	267,954,613	267,459,926	259,738,877	266,573,564	276,936,260	310,011,261	361,432,151
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(6,880,023)	(4,231,572)	(18,692,332)	3,894,259	(5,342,309)	6,282,398	(1,429,571)	(11,826,701)
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers In	--	1,800	--	104,448	--	3,459,318	2,500,000	2,500,000
Transfers Out	(2,000,000)	(1,823,603)	(1,880,775)	(877,204)	(81,647)	(203,172)	(93,903)	(281,660)
Total Other Financing Sources (Uses)	(2,000,000)	(1,821,803)	(1,880,775)	(772,756)	(81,647)	3,256,146	2,406,097	2,218,340
<b>NET CHANGE IN FUND BALANCES</b>	(8,880,023)	(6,053,375)	(20,573,107)	3,121,503	(5,423,956)	9,538,544	976,526	(9,608,361)
<b>FUND BALANCE, JULY 1</b>	47,981,866	47,981,866	31,302,095	41,928,491	41,579,107	45,049,994	54,588,539	54,588,539
<b>FUND BALANCE, JUNE 30</b>	<u>\$39,101,844</u>	<u>\$41,928,491</u>	<u>\$10,728,988</u>	<u>\$45,049,994</u>	<u>\$36,155,151</u>	<u>\$54,588,538</u>	<u>\$55,565,065</u>	<u>\$44,980,179</u>

<sup>(1)</sup> From the District's Comprehensive Audited Financial Statements for fiscal years 2011-12 through 2013-14, respectively.  
<sup>(2)</sup> From the District's First Interim Financial Report for fiscal year 2014-15 approved by the Board on December 9, 2014.  
<sup>(3)</sup> Prior to the Fiscal Year 2013-14 First Interim Financial Report, this category was coded as "Revenue Limit." From the Fiscal Year 2013-14 First Interim Financial Report through the Fiscal Year 2013-14 Second Interim Financial Report, this category was coded as "LCFF/Revenue Limit Sources." Beginning with the Fiscal Year 2014-15 Adopted Budget, the category is coded as "LCFF."

Source: *Moreno Valley Unified School District.*

## **Accounting Practices**

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the State Education Code, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

## **Comparative Financial Statements**

Excerpts from the District's audited financial statements for the year ended June 30, 2014, are attached for reference as APPENDIX B hereto. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the Moreno Valley Unified School District, 25634 Alessandro Boulevard, Moreno Valley, California 92553, telephone: (951) 571-7500.

The table on the following page reflects the District's general fund revenues, expenditures and fund balances for fiscal years 2009-10 through 2013-14.

[REMAINDER OF PAGE LEFT BLANK]

**AUDITED GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES  
AND FUND BALANCES<sup>(1)</sup>**

**Fiscal Years 2009-10 through 2013-14  
Moreno Valley Unified School District**

	<u>Audited</u> <u>2009-10</u>	<u>Audited</u> <u>2010-11</u>	<u>Audited</u> <u>2011-12</u>	<u>Audited</u> <u>2012-13</u>	<u>Audited</u> <u>2013-14</u>
<b>REVENUES</b>					
LCFF/Revenue Limit Sources <sup>(2)</sup> :					
State Apportionments	\$170,982,113	\$160,026,792	\$160,001,958	\$157,323,453	\$198,681,586
Local Sources	--	19,602,824	19,246,412	21,148,875	21,167,821
LCFF Transfers <sup>(2)</sup>	--	--	--	--	(121,158)
Federal Revenue	29,605,911	33,650,090	21,842,482	20,905,950	20,510,749
Other State Revenue	65,594,786	58,749,728	59,103,772	60,208,791	39,601,685
Other Local Revenue	<u>3,634,648</u>	<u>2,939,590</u>	<u>3,528,417</u>	<u>4,046,067</u>	<u>3,377,975</u>
<b>Total Revenues</b>	<b>269,817,458</b>	<b>274,969,024</b>	<b>263,723,041</b>	<b>263,633,136</b>	<b>283,218,658</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	182,141,665	180,826,983	172,762,891	169,085,118	180,694,565
Instruction – Related Services:		27,631,783	27,936,434	27,188,233	
Supervision of instruction	10,315,883	--	--	--	7,446,435
Instructional library and technology	1,945,163	--	--	--	1,899,232
School site administration	16,322,706	--	--	--	15,784,234
Pupil services:		21,807,348	22,362,399	19,498,915	
Home-to-school transportation	7,477,642	--	--	--	7,240,709
Food services	31,723	--	--	--	61,364
All other pupil services	14,427,726	--	--	--	14,153,058
Administration:					
Data processing	2,447,425	--	--	--	2,760,817
All other general administration	6,022,339	--	--	--	6,055,816
Facility acquisition and construction	772,959	--	--	--	342,540
Ancillary services	31,243	34,258	32,729	31,158	39,266
Community services	87,805	106,878	90,252	83,494	85,832
Enterprise	460,134	467,931	482,528	518,977	3,991,562
General Administration	--	7,816,600	8,495,160	8,720,702	--
Plant Services	32,121,771	33,858,873	33,850,926	32,645,137	33,534,772
Other Outgo	--	(713)	47,181	78,101	2,846,058
Debt Service:					
Principal	870,000	895,000	925,000	950,000	--
Interest	<u>1021,956</u>	<u>995,963</u>	<u>969,113</u>	<u>939,042</u>	<u>--</u>
<b>Total Expenditures</b>	<b>276,498,140</b>	<b>274,440,904</b>	<b>267,954,613</b>	<b>259,738,877</b>	<b>276,936,260</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,680,682)</b>	<b>528,120</b>	<b>(4,231,572)</b>	<b>3,894,259</b>	<b>6,282,398</b>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Transfers in	--	--	1,800	104,448	3,459,318
Other sources	974,735	--	--	--	--
Transfers out	(1,702,092)	(3,033,941)	(1,823,603)	(877,204)	(203,172)
Other uses	<u>(23,369)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total Financing Sources (Uses)</b>	<b>(750,726)</b>	<b>(3,033,941)</b>	<b>(1,821,803)</b>	<b>(772,756)</b>	<b>3,256,146</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,431,408)</b>	<b>(2,505,821)</b>	<b>(6,053,375)</b>	<b>3,121,503</b>	<b>9,538,544</b>
<b>Fund Balances— Beginning</b>	<b><u>57,919,087</u></b>	<b><u>50,487,679</u></b>	<b><u>47,981,866</u></b>	<b><u>41,928,491</u></b>	<b><u>45,049,994</u></b>
<b>Fund Balances— Ending</b>	<b><u>\$50,487,679</u></b>	<b><u>\$47,981,858</u></b>	<b><u>\$41,928,491</u></b>	<b><u>\$45,049,994</u></b>	<b><u>\$54,588,538</u></b>

<sup>(1)</sup> From the District's Audited Financial Statements for fiscal years 2009-10 through 2013-14.

<sup>(2)</sup> Beginning in fiscal year 2013-14, this category is coded Local Control Funding Formula.

Source: Moreno Valley Unified School District.

## State Budget

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

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

The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.5 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State's general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2014-15 Budget, a legislatively-referred constitutional amendment (Proposition 2) was placed on the ballot, and ultimately approved by the voters at the November 4, 2014 statewide election. Among other things, Proposition 2 will create a reserve account that is expected to smooth spikes in education funding. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

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

The 2014-15 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2014-15 at \$60.9 billion, including \$44.5 billion of support from the State general fund. This represents an increase of \$2.6 billion over the estimates included in the Governor's May revision. The 2014-15 Budget also authorizes certain payments to reduce the State's outstanding maintenance factor, including \$5.2 billion allocable to fiscal year 2012-13 and \$2.6 billion allocable to fiscal year 2014-15. The State is expected to end fiscal year 2014-15 with an outstanding maintenance factor of approximately \$4 billion.

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

- *State Pensions* – The 2014-15 Budget includes a plan to reduce the \$74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in \$276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State and K-14 school district contributions based on changing conditions, and (ii) reduce K-14 school district contributions if they are no longer necessary. For additional information, see “MORENO VALLEY UNIFIED SCHOOL DISTRICT – Retirement Programs” herein.
- *Local Control Funding Formula* – An increase of \$4.7 billion in Proposition 98 funding to continue the transition to the LCFF. This includes a 0.85% COLA to prior-year Base Grants, and results in per-pupil funding that is 12% higher than the prior-year. This increase is projected to close the remaining funding implementation gap between prior year funding levels and the LCFF target levels by approximately 29%. As a result, the adjusted 2014-15 Base Grants are as follows: (i) \$7,011 for grades K-3, (ii) \$7,116 for grades 4-6, (iii) \$7,328 for grades 7-8, and (iv) \$8,491 for grades 9-12. The LAO estimates that the 2014-15 funding levels are approximately 80% of the full implementation cost. The 2014-15 Budget also provides \$26 million towards implementing the LCFF for county offices of education, sufficient to fully fund their LCFF funding target in fiscal year 2014-15. See also “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.
- *School Reserves* – Senate Bill 858 (Stats. 2014, Chapter 32) (“SB 858”), trailer legislation to the 2014-15 Budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 would require school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein. Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.

- *Categorical Programs* – The 2014-15 Budget provides \$33 million to fund a 0.85% COLA for select K-12 categorical programs, including foster youth services, American Indian American Indian Childhood Education, special education and child nutrition.
- *K-12 Deferrals* – The 2014-15 Budget provides \$5.2 billion to reduce outstanding apportionment deferrals, including \$4.7 billion for school districts. Under the budget plan, \$992 million in deferrals, including \$897 million for school districts, are expected to remain outstanding at the end of fiscal year 2014-15. The 2014-15 Budget also provides for a trigger mechanism whereby potentially all outstanding deferrals would be repaid if the Proposition 98 minimum guarantee increases as a result of additional funding sources. Effectively, the 2014-15 Budget earmarks the first \$992 million of additional State spending allocable to fiscal years 2013-14 and 2014-15 to the pay down of deferrals.
- *Student Assessments* – The 2014-15 Budget provides \$54 million to continue the implementation of new student assessments.
- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- *K-12 Mandates* – The 2014-15 Budget provides \$400 million, including \$287 million of Proposition 98 funding and \$113 million from unspent prior-year funds, to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis. The 2014-15 Budget also adds six new K-12 reimbursable mandates to the existing block grant program. The 2014-15 Budget does not increase funding for the block grant program as the added costs are expected to be minimal.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires a five-year period, starting in fiscal year 2013-14, that a portion of these additional revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 Budget provides \$279 million of Proposition 98 funding for qualifying school district energy programs and \$28 million for a revolving loan program for K-14 school districts.
- *Quality Education Investment Act* – The 2014-15 Budget authorizes a final payment of \$410 million to retire the State's obligation under the Quality Education Investment Act (Stats. 2006, Chapter 751), which required the State to provide additional annual school district and community college district funding payments. Of this amount, \$316 million is for continued funding of the QEIA program (including \$268 million for school districts) and \$94 million is to pay down a separate State obligation related to school facility repairs.
- *Emergency Repair Program* – \$189 million of funding towards the Emergency Repair Program ("ERP"), which was created in 2004 to fund critical repair projects at certain low-performing schools. Funds will be allocated to school districts that have unfunded claims for emergency repairs from the most recent ERP award cycle, which occurred in 2008.
- *School Infrastructure* – The 2014-15 Budget shifts existing bonding authority under the Career Technical Education (\$4.1 million) and High Performance Initiative (\$32.9 million) school facility programs to the New Construction and Modernization facility programs. Bonding authority will be split equally between new construction and modernization.

- *K-12 High-Speed Internet Access* – An increase of \$27 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.
- *Career Technical Education Pathways Program* – An increase of \$250 million in one-time Proposition 98 funding to support competitive grants for participating K-12 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

For additional information regarding the State's 2014-15 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

***Governor's Proposed 2015-16 Budget.*** On January 9, 2015, the Governor released his proposed State budget for fiscal year 2015-16 (the "Proposed Budget"). The following information is taken from the LAO's overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for fiscal year 2014-15, total general fund revenues and transfers of \$108 billion and authorizes total expenditures of \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of \$2.1 billion, comprised of a balance of \$452 million in the State's traditional budget reserve and balance of \$1.6 billion in the BSA. For fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of \$113.4 billion and authorizes expenditures of \$113.3 billion. The State is projected to end the 2015-16 fiscal year with a \$3.4 billion general fund surplus, comprised of a \$534 million balance in the budget reserve and \$2.8 billion in the BSA. The balance in the BSA includes a \$1.2 billion deposit mandated by the provisions of Proposition 2. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2." This \$1.2 billion deposit to the BSA reflects half of the total Annual BSA Transfer and Supplemental BSA Transfer required by Proposition 2, and the Proposed Budget allocates the other \$1.2 billion towards paying down special fund loans and certain Proposition 98 "settle up" obligations created by previous budgetary legislation that understated the minimum funding guarantee. Under the Proposed Budget, outstanding Proposition 98 settle up obligations at the end of fiscal year 2015-16 total \$1.3 billion.

As a result of projected increases to State general fund revenues, as well as certain revisions to student attendance, the Proposed Budget includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The 2013-14 minimum funding guarantee is revised upward to \$58.7 billion, an increase of \$371 million from the estimate included in the 2014-15 Budget. For fiscal year 2014-15, the minimum funding guarantee is revised at \$63.2 billion, approximately \$2.3 billion higher than that included in the 2014-15 Budget.

For fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at \$65.7 billion, including \$47 billion from the State general fund, and reflects an increase of \$2.6 billion (or 4%) from the revised level for fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only \$371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor's assumption that the "triple flip" legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset. For purposes of Proposition 98, fiscal year 2015-16 is a "Test 2" year, and changes in the minimum guarantee are driven primarily by an increase in per-capita personal income.



Under the Proposed Budget, total per-student Proposition 98 funding increases to \$9,571, an increase of \$640 (or 7.2%) from the prior year.

Significant features of the Proposed Budget with respect to K-12 education include the following:

- *Maintenance Factor* – The Proposed Budget authorizes a maintenance factor payment of \$725 million owed to school districts and community college districts, leaving an outstanding maintenance factor of \$1.9 billion.
- *Local Control Funding Formula* – An additional \$4 billion to school districts and charter schools to continue the implementation of the LCFF, reflecting a year-to-year increase of 9%. This amount is estimated to close approximately 32% of the remaining funding gap between fiscal year 2014-15 funding levels and the LCFF target rates. Under the Proposed Budget, the LAO estimates that the LCFF target rates will be approximately 85% funded. The Proposed Budget also provides \$109,000 of Proposition 98 funds to support a cost of living adjustment for county offices of education at their target LCFF funding levels.
- *Apportionment Deferrals* – \$897 million to eliminate all outstanding K-12 apportionment deferrals.
- *Categorical Programs* – An increase of \$71 million to support a 1.58% COLA for selected categorical programs outside of the LCFF.
- *Adult Education* – \$500 million in ongoing funding for adult education. This proposal would build on prior budgetary legislation which mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to for delivery of adult education services. Under the Governor's proposal, the ongoing funding would support programs in elementary and secondary basic skills, citizenship and English as a second language for immigrants, educational programs for disabled adults, short-term career technical education (CTE) and apprenticeship programs. For fiscal year 2015-16 only, these funds would replace, on a dollar-for-dollar basis, LCFF funds currently allocated to school district-run adult education programs in these five areas.
- *Career Technical Education* – \$250 million in funding in each of the next three fiscal years to fund a competitive grant initiative the supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. Participating school districts, county offices of education and charter schools would be required to match grant contributions dollar-for-dollar, collect accountability data and commit to providing ongoing support to CTE programs after the expiration of grant funding. Applicants would also be expected to partner with local postsecondary institutions, labor organizations and businesses in applying for the grant funds. The Proposed Budget also includes \$48 million to extend the Career Technical Education Pathways Grant Program, created as part of the 2013-14 State budgetary legislation. The primary purpose of the program is to improve linkages between CTE programs and schools and community colleges, as well as between K-14 education and local businesses. The California Department of Education and the California Community Colleges Chancellor's Office jointly administer the program and allocate funding through an interagency agreement.
- *Technology Infrastructure* – \$100 million in one-time funding to support additional broadband infrastructure improvement grants, and builds on prior funding provided in the 2014-15 Budget for such grants.

- *Emergency Repair Program* – \$273 million in one-time funding for the State ERP. See also “—2014-15 Budget.” This additional payment is expected to fully retire the State’s ERP obligation.
- *Education Mandates* –\$1.1 billion to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis.

For additional information regarding the Proposed Budget, see the DOF’s website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO’s website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such website is not incorporated herein by reference.

***Future Budgets and Actions.*** The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund education. State budget shortfalls in future fiscal years could have an adverse financial impact on the State general fund budget. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

## **MORENO VALLEY UNIFIED SCHOOL DISTRICT**

*The information in this section concerning the operations of the District and the District’s operating budget are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources for Payment” herein.*

### **Introduction**

The District was organized as a unified school district in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in Riverside County, California. The District operates twenty-three elementary schools, six middle schools, four high schools, one charter school, and eight other alternative schools. Total enrollment for the District is 34,122 in fiscal year 2014-15. For fiscal year 2014-15, the District has projected an ADA of 32,416 students, and taxable property within the District has an assessed valuation of \$11,768,835,431.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Moreno Valley Unified School District, 25634 Alessandro Blvd., Moreno Valley, California, 920553, attention: Superintendent.

**Administration**

**BOARD OF EDUCATION  
Moreno Valley Unified School District**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Gary E. Baugh, Ed.S.	President	December, 2018
Cleveland Johnson	Vice President	December, 2018
Jesus M. Holguin	Clerk	December, 2018
Denise Fleming, Ed.D.	Member	December, 2016
Vacant	Member	December, 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Dr. Judy D. White is the Superintendent of the District. Brief biographies of the Superintendent and the Chief Business Official follow:

***Judy D. White, Ed.D., Superintendent.*** Dr. Judy D. White began her tenure as the Superintendent of Moreno Valley Unified School District on February 14, 2011. She has over 36 years of experience in education, most recently as the Deputy Superintendent of the San Bernardino City Unified School District. Dr. White earned a B.A. in Sociology from Occidental College, an M.A. in Education from California State University San Bernardino and an Ed.D. in Educational Leadership from Azusa-Pacific University.

***Mays Kakish, Chief Business Official.*** Mays Kakish was appointed Chief Business Official of the District effective April 4, 2011. Ms. Kakish previously served as the Assistant Superintendent, Business Services of the Beaumont Unified School District for five years. She has over 14 years of experience in public education. Ms. Kakish holds a B.S. from California State University San Bernardino, San Bernardino, California.

## Average Daily Attendance and Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 29:1 for grades K-3, 33:1 in grades 4-6, 29:1 in grades 7-8 and 29:1 in grades 9-12. The following table shows an eight-year ADA and enrollment history for the District.

### AVERAGE DAILY ATTENDANCE AND ENROLLMENT Fiscal Years 2007-08 through 2014-15 Moreno Valley Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance<sup>(1)</sup></u>	<u>Enrollment<sup>(2)</sup></u>
2007-08	34,562	37,129
2008-09	33,899	35,991
2009-10	34,157	36,285
2010-11	34,072	36,039
2011-12	33,857	35,868
2012-13	32,791	35,046
2013-14	32,700	35,404
2014-15	32,416 <sup>(3)</sup>	34,122

<sup>(1)</sup> Except for fiscal year 2014-15, reflects P-2 ADA in each school year.

<sup>(2)</sup> Fiscal years 2007-08 through 2012-13 reflect enrollment as of the October CBEDS report. Fiscal years 2013-14 and 2014-15 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. CALPADS figures exclude preschool and adult transitional students.

<sup>(3)</sup> Projected.

Source: Moreno Valley Unified School District.

## Charter Schools

The California Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated, district operated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated, district operated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements.

There is one charter school currently operating within the District, which is operated by the District (the "Charter School"). The following table shows enrollment figures for the District's Charter School for the past six fiscal years and a projected amount for fiscal year 2014-15.

**CHARTER SCHOOL ENROLLMENT**  
**Fiscal Years 2008-09 through 2014-15**  
**Moreno Valley Unified School District**

<u>Fiscal Year</u>	<u>District operated Charter School</u>
2008-09	167
2009-10	209
2010-11	226
2011-12	195
2012-13	157
2013-14	189
2014-15	159

*Source: Moreno Valley Unified School District.*

**Labor Relations**

As of February 1, 2015, the District employed 1,727 full-time certificated employees and 669 classified employees. In addition, the District employs 884 part-time faculty and staff. District employees, except management and some part-time employees, are represented by two bargaining units, as noted below:

**BARGAINING UNITS**  
**Moreno Valley Unified School District**

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Moreno Valley Educators Association	1,657	June 30, 2016
California Schools Employees' Association	1,480	June 30, 2017

*Source: Moreno Valley Unified School District.*

**Retirement Programs**

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

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

Prior to fiscal year 2014-15, unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer,

employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

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

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

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

*Source: AB 1469.*

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

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

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

*Source: AB 1469.*

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to

the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contributions to STRS were \$11,095,714 in fiscal year 2010-11, \$10,999,874 in fiscal year 2011-12, \$10,698,301 in fiscal year 2012-13 and \$11,114,138 in fiscal year 2013-14. The District has budgeted \$14,205,668 for its contribution to STRS for fiscal year 2014-15.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

**PERS.** Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

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

The District's contributions to PERS were \$7,776,601 in fiscal year 2010-11, \$7,816,160 in fiscal year 2011-12, \$7,761,904 in fiscal year 2012-13 and \$7,909,907 in fiscal year 2013-14. The District has budgeted \$8,073,974 for its contribution to CalPERS for fiscal year 2014-15.

**State Pension Trusts.** Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275,

Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: [www.calstrs.com](http://www.calstrs.com); (ii) PERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS**  
**(Dollar Amounts in Millions)<sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2012-13**

Fiscal Year	STRS				PERS			
	Accrued Liability	Value of Trust Assets (MVA) <sup>(2)</sup>	Unfunded Liability (MVA) <sup>(2)(3)</sup>	Unfunded Liability (AVA) <sup>(4)</sup>	Accrued Liability	Value of Trust Assets (MVA) <sup>(2)</sup>	Unfunded Liability (MVA) <sup>(2)</sup>	Unfunded Liability (AVA) <sup>(4)</sup>
2010-11	\$208,405	\$147,140	\$68,365	\$64,475	\$58,358	\$45,901	\$12,457	\$6,811
2011-12	215,189	143,118	80,354	70,957	59,439	44,854	14,585	5,648
2012-13	222,281	157,176	74,374	73,667	61,487	49,782	12,005	5,237

<sup>(1)</sup> Amounts may not add due to rounding.

<sup>(2)</sup> Reflects market value of assets.

<sup>(3)</sup> Excludes SBPA reserve.

<sup>(4)</sup> Reflects actuarial value of assets.

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

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

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

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The PERS Board has delayed the implementation of the new actuarial policies until fiscal year 2015-16 for the State, K-14 school districts and all other public agencies.



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

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

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

### **Other Post-Employment Benefits**

**Plan Description.** Upon attainment of age 55 and completion of at least 10 years of District service, an employee may retire and remain covered under one of the medical plan options at the District's expense until age 65 (the "Benefits"). The District's contribution for certificated and classified retirees is limited to the amount paid by the District on behalf of current employees for the lowest cost individual health plan offered at 100% coverage by the District at the time of payment. This amount is \$492.00 per month for the 2013-14 fiscal year. Certificated retirees working less than 100% full-time at their last assignments while an active employee receive a pro-rated amount based on their last full-time equivalency. Management retirees receive a District contribution equal to the full cost of individual coverage under any of the District plans. Classified employees are required to complete the equivalent of 10 years of full-time District service in order to receive District-paid benefits upon retirement. Board Members are eligible for lifetime District-paid retiree health benefits if they served in office after January 1, 1981, their term began before January 1, 1995, and they have served at least 12 years on the District's

Board. There are two District retirees currently covered under these provisions. Board Members not meeting these requirements are eligible for self-paid health benefits.

As of February 1, 2015, membership of the Plan consisted of 224 retirees currently receiving Benefits, and 2,514 active plan members.

**Funding Policy.** The District currently finances the OPEB on a “pay-as-you-go” basis. The District’s contributions to the OPEB were \$2,055,993 in fiscal year 2011-12 (all of which was used for current premiums), \$2,166,433 in fiscal year 2012-13 (all of which was used for current premiums) and \$2,172,890 in fiscal year 2013-14 (all of which was used for current premiums). The District currently projects \$2,289,810 for its contribution to the OPEB, net of any deposit to the Trust, for fiscal year 2014-15 (all of which are expected to be used for current premiums).

In fiscal year 2002-03, the District established an irrevocable trust (the “OPEB Trust”) to begin funding its actuarial accrued liability with respect to the Benefits, as discussed herein. In fiscal year 2008-09 the District committed \$1,500,000 to the OPEB Trust for the sole purpose of paying the Benefits. As of December 31, 2014, the District had contributed \$1,500,000 to the OPEB Trust and the value of assets in the OPEB Trust was \$2,680,810. For fiscal year 2014-15, the District currently projects a contribution of \$50,000 to the OPEB Trust.

**Actuarial Study.** The District has implemented Governmental Accounting Standards Board (“GASB”) Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the OPEB. The most recent of these studies (the “Study”), determined that the actuarial accrued liability (“AAL”) with respect to the OPEB, as of a July 1, 2013 valuation date, was \$21,977,756. The Study also concluded that the annual required contributions (the “ARC”) for the District’s fiscal years 2011-12 and 2012-13 were each \$2,875,819. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the AAL, in accordance with the GASB Statements Nos. 43 and 45; the ARC is expected to increase each year based on covered payroll.

**Net OPEB Obligation.** As of June 30, 2014, the District recognized a long-term obligation (the “Net OPEB Obligation”) of \$1,006,654 with respect to its accrued liability for the Benefits. The Net OPEB Obligation is based on the District’s contributions towards the ARC during fiscal year 2013-14, plus interest on the prior year’s Net OPEB Obligation and minus any adjustments to reflect the amortization thereof. See “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 10” attached hereto.

## **Risk Management**

The District is exposed to various risks of loss related to torts, errors and omissions, and injuries to employees. During fiscal year June 30, 2-14, the District operated the Worker’s Compensation Fund (Internal Service Fund) (the “Internal Service Fund”) to account for and finance its uninsured risks of loss. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$100,000 for each workers’ compensation claim. The District participates in JPAs to provide excess insurance coverage above the self-insured retention level. Settled claims have not exceeded the coverage provided by the JPAs. See “- Joint Powers Agreements” below.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. The claims’ liability of \$5,939,057 reported in the Internal Service Fund at June

30, 2-14, is based on the requirements of Governmental Accounting Standards Board Statement NO. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. The District may purchase annuity contracts from commercial insurers to satisfy certain liabilities under workers' compensation claims; accordingly, no liability is then reported for those claims.

Changes in the Internal Service Fund's claims liability amount in fiscal year 2013-14 were:

	<u>Liability July 1, 2013</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30, 2014</u>
Workers Compensation	\$5,160,972	\$2,976,619	\$2,198,534	\$5,939,057

### Joint Powers Agreements

The District has entered into joint powers agreements (JPAs) with other governmental units, as allowed by the California Government Code. These JPAs have budgeting and financial reporting requirements independent of member units. Summarized below is certain information on these entities:

<u>JPA</u>	<u>Purpose</u>
Schools Excess liability Fund (SELF)	To provide liability insurance coverage in excess of \$1,000,000 (up to \$25,000,000)
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Arrange for and provide property liability insurance for its members
Self Insured Schools of California III	Arranges for and provides' compensation, property and liability and health insurance coverage for their member districts
Protected Insurance Program for Schools (PIPS)	Provides each member a joint program and system for workers' compensation coverage

For more information regarding the JPAs, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 16" attached hereto.

**District Debt Structure**

**Short-Term Debt.** Currently, the District had no outstanding tax and revenue anticipation notes (“TRANS”).

**Long-Term Debt.** A schedule of changes in long-term debt for the year ended June 30, 2014 is show below:

	<u>Balance</u> <u>July 1, 2013*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Bonded Debt	\$39,508,521	--	\$2,800,000	\$36,708,521
Other Postemployment Benefits	407,881	598,773	--	1,006,654
Compensated Absences	1,767,503	110,042	--	1,877,545
Certificates of Participation	18,585,000	13,280,000	18,585,000	13,280,000
Community Facilities Districts	<u>96,035,000</u>	<u>19,070,000</u>	<u>23,445,000</u>	<u>91,660,000</u>
Total	\$156,303,905	\$33,058,815	\$44,830,000	\$144,532,720

<sup>(1)</sup> Debt service with respect to the bonds of these community facilities districts (the “CFD Bonds”) is paid from the proceeds of special taxes levied against land within the respective community facilities districts.

\*Restated

Source: *Moreno Valley Unified School District.*

See “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 7” attached hereto.

**General Obligation Bonds.** The District received authorization at an election held on March 2, 2004 by more than 55% of the votes cast by eligible voters within the District to issue \$50,000,000 of general obligation bonds (the “2004 Authorization”). On July 7, 2004, the County issued on behalf of the District the first series and final series of bonds pursuant to the 2004 Authorization in the aggregate principal amount of \$49,999,945.60 (the “2004 Series A Bonds”). On April 3, 2007 the District issued its 2007 General Obligation Refunding Bonds (the “2007 Refunding Bonds”) in the aggregate principal amount of \$43,003,521, as current interest bonds and capital appreciation bonds, to advance refund a portion of the Election of 2004, Series A Bonds.

Pursuant to the 2014 Authorization, the voters of the District authorized the issuance of not-to-exceed \$398,000,000 of general obligation bonds. The Bonds represent the first series of bonds issued under the 2014 Authorization. After the issuance of the Bonds, \$298,000,000\* of the 2014 Authorization will remain.

\* Preliminary, subject to change.

The following table shows the combined debt service schedule with respect to the total outstanding general obligation debt of the District.

<u>Year Ending August 1</u>	<u>2004 Series A Bonds</u>	<u>2007 Refunding Bonds<sup>(1)</sup></u>	<u>The Bonds</u>	<u>Total Annual Debt Service</u>
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
Total				

*Source: Moreno Valley Unified School District.*

**CFD Bonds.** The District has established 12 community facility districts under the Mello Roos Community Facilities Act of 1982, Community Facilities District Nos. 88-1, 2002-1, 2003-1, 2003-2, 2004-1, 2004-2, 2004-3, 2004-5, 2004-6, 2005-2, 2005-3, and 2005-5. Each of these districts has issued debt (collectively, the "CFD Bonds"), as further described below.

**SUMMARY OF OUTSTANDING CFD BONDED DEBT**

<b>Issuance</b>	<b>Initial Principal Amount</b>	<b>Principal Currently Outstanding</b>	<b>Date of Delivery</b>
<u>CFD No. 88-1</u>			
1989 Special Tax Revenue Bonds	\$20,895,000	_____	August 1, 1989
2002 Special Tax Revenue Bonds, Series A	13,080,000	_____	December 24, 2002
2002 Special Tax Revenue Bonds, Series B	7,730,000	_____	December 24, 2002
<u>CFD Nos. 2002-1; 2003-2; 2003-1</u>			
CFD No. 2002-1 2002 Special Tax Bonds	8,850,000	-- <sup>(1)</sup>	October 24, 2002
CFD No. 2003-2 2004 Special Tax Bonds	3,715,000	-- <sup>(2)</sup>	August 19, 2004
CFD No. 2003-1 2004 Special Tax Bonds	7,375,000	_____	November 4, 2004
CFD No. 2002-1 Series 2013 Special Tax Refunding Bonds	7,790,000	_____	July 12, 2013
CFD No. 2003-2 Series 2013 Special Tax Refunding Bonds	3,855,000	_____	July 12, 2013
<u>CFD Nos. 2004-1; 2004-2; 2004-3; 2004-5; 2004-6</u>			
CFD No. 2004-1 2005 Special Tax Bonds	3,155,000	_____	April 14, 2005
CFD No. 2004-2 2005 Special Tax Bonds	5,580,000	_____	October 27, 2005
CFD No. 2004-6 2005 Special Tax Bonds	27,935,000	_____	December 8, 2005
CFD No. 2004-5 2006 Special Tax Bonds	5,000,000	_____	May 24, 2006
CFD No. 2004-3 2007 Special Tax Bonds		_____	April 12, 2007
<u>CFD Nos. 2005-2; 2005-3; 2005-5</u>			
CFD 2005-3 2007 Special Tax Bonds	11,235,000		March 22, 2007
CFD 2005-5 2012 Special Tax Bonds	9,115,000		February 16, 2012
<u>CFD No. 2007-1</u>			
CFD No. 2007-1 205 Special Tax Bonds	_____	_____	_____, 2015

<sup>(1)</sup> Defeased from proceeds of the sale of the CFD No. 2002-1 Series 2013 Special Tax Refunding Bonds.

<sup>(2)</sup> Defeased from proceeds of the sale of the CFD No. 2003-2 Series 2013 Special Tax Refunding Bonds.

Debt service with respect to the CFD Bonds is paid from the proceeds of special taxes levied against land within the respective community facilities districts. The following table displays the total annual debt service requirements of the District for its outstanding CFD Bonds as of the date hereof:

<u>Year Ending (June 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$5,405,000	\$5,685,852	\$11,090,852
2015	6,275,000	4,266,282	10,541,282
2016	1,370,000	4,210,675	5,580,675
2017	1,520,000	4,152,933	5,672,933
2018	1,695,000	4,086,997	5,781,997
2019-2023	11,315,000	19,094,943	30,409,943
2024-2028	17,420,000	15,725,035	33,145,035
2029-2033	25,745,000	10,387,015	36,132,015
2034-2038	22,260,000	3,246,353	25,506,353
2039-2043	2,860,000	408,375	3,268,375

*Source: Fieldman, Rolapp & Associates, Inc.*

**Certificates of Participation.** On February 27, 2014, the District executed and delivered its 2014 Refunding Certificates of Participation (the “2014 Certificates”) in the aggregate principal amount of \$13,280,000. The proceeds from the 2014 Certificates were utilized to refinance certain then-outstanding certificate of participation debt of the District.

The following table summarizes the semi-annual 2014 Certificates payment requirements of the District.

**SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE**

<b>Certificate Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Semi-Annual Payments</b>	<b>Total Annual Payments</b>
3/1/2015	\$805,000	295,750.00	1,100,750.00	\$1,403,072.22
9/1/2015	--	283,675.00	283,675.00	--
3/1/2016	835,000	283,675.00	1,118,675.00	1,402,350.00
9/1/2016	--	271,150.00	271,150.00	--
3/1/2017	855,000	271,150.00	1,126,150.00	1,397,300.00
9/1/2017	--	254,050.00	254,050.00	--
3/1/2018	885,000	254,050.00	1,139,050.00	1,393,100.00
9/1/2018	--	236,350.00	236,350.00	--
3/1/2019	920,000	236,350.00	1,156,350.00	1,392,700.00
9/1/2019	--	217,950.00	217,950.00	--
3/1/2020	950,000	217,950.00	1,167,950.00	1,385,900.00
9/1/2020	--	194,200.00	194,200.00	--
3/1/2021	1,000,000	194,200.00	1,194,200.00	1,388,400.00
9/1/2021	--	169,200.00	169,200.00	--
3/1/2022	1,045,000	169,200.00	1,214,200.00	1,383,400.00
9/1/2022	--	143,075.00	143,075.00	--
3/1/2023	1,090,000	143,075.00	1,233,075.00	1,376,150.00
9/1/2023	--	115,825.00	115,825.00	--
3/1/2024	1,140,000	115,825.00	1,255,825.00	1,371,650.00
9/1/2024	--	87,325.00	87,325.00	--
3/1/2025	1,195,000	87,325.00	1,282,325.00	1,369,650.00
9/1/2025	--	57,450.00	57,450.00	--
3/1/2026	1,250,000	57,450.00	1,307,450.00	1,364,900.00
9/1/2026	--	26,200.00	26,200.00	--
3/1/2027	1,310,000	26,200.00	1,336,200.00	1,362,400.00
<b>TOTAL</b>	<b><u>\$13,280,000</u></b>	<b><u>\$4,408,650.00</u></b>	<b><u>\$17,688,650.00</u></b>	<b><u>\$17,990,972.22</u></b>

Source: Moreno Valley Unified School District.

**2001 Lease Revenue Bonds - QZABs.** In December 2001, the District issued \$24,000,000 principal amount of 2001 Lease Revenue Bonds, Qualified Zone Academy Bonds (the “2001 QZABs”) to provide funds to finance the renovation of existing facilities to enable those facilities to support new technology standards that the District was then-required to meet. The 2001 QZABs do not bear interest and have been advance refunded in a manner that met the requirements of an insubstance defeasance. The District does not account for the 2005 QZABs as a portion of the District’s general long-term debt. See “APPENDIX C – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 7” herein.

**2005 Certificates of Participation - QZABs.** In December 2005, the District issued \$5,000,000 principal amount of 2005 Certificates of Participation, Qualified Zone Academy Bonds (the “2005 QZABs”) to provide funds for school project costs through a lease agreement between the District and the Corporation. The 2005 QZABs do not bear interest and have been advance refunded in a manner that met the requirements of an insubstance defeasance. The District does not account for the 2005 QZABs as a portion of the District’s general long-term debt. “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note \_\_\_” attached hereto.



## TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

## LEGAL MATTERS

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

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

### **Continuing Disclosure**

***Current Undertaking.*** In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following

the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2014-15 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

**[Prior Undertakings.** The District has, within the last five years, failed to timely file certain information required in annual reports or as required under its prior undertakings pursuant to the Rule with respect to its outstanding general bonded indebtedness and its CFD Bonds. In the past, the District has also filed certain audit reports and information required under prior undertakings by the posting of a link to the District's website, or by other online cross-reference. The District has since filed and re-filed all such information and is current with respect to its obligations entered into in connection with the Rule. During the last five years, the District has retained Special District Financing Administration, LLC, Escondido, California, to administer its continuing disclosure obligations and to prepare all filings on its behalf.

The District elected to participate in the Municipalities Continuing Disclosure Cooperation ("MCDC") initiative of the Securities and Exchange Commission. The MCDC is a program allowing issuers and underwriters to voluntarily report issuances of municipal obligations where the official statement or other offering document therefor may have made misstatements about compliance with the issuer's or other obligated person's continuing disclosure obligations. The District was notified by the underwriter for the District's 2011 Tax and Revenue Anticipation Notes (the "2011 TRANS") that it filed a report under MCDC with respect to statements made in the official statement for such issuance. The District filed a report under MCDC for statements made in the Official Statement for the District's 2011 TRANS.

### **No Litigation**

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

### **Information Reporting Requirements**

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

**Legal Opinion**

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds is attached to this Official Statement as APPENDIX A.

**MISCELLANEOUS**

**Ratings**

Moody’s and S&P have assigned the Bonds the ratings of “\_\_\_” and “\_\_\_,” respectively. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency, at the following addresses: Moody’s Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor’s, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”), notices of any ratings changes on the Bonds. See “Appendix C - FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

**Financial Statements**

Excerpts from the District’s audited financial statements with required supplemental information for the year ended June 30, 2014, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Jeanette L. Garcia & Associates, Certified Public Accountant (the “Auditor”) dated December 15, 2014, are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the excerpts from financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

**Underwriting**

The Bonds are being purchased by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter (the “Purchase Contract”), to purchase all of the Bonds for a purchase price of \$ \_\_\_\_\_ (which is equal to the principal amount thereof, plus original issue premium of \$ \_\_\_\_\_ and less Underwriter’s discount of \$ \_\_\_\_\_).

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Underwriter.

**Additional Information**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

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

**MORENO VALLEY UNIFIED SCHOOL  
DISTRICT**

By: \_\_\_\_\_  
Mays Kakish  
Chief Business Official

## APPENDIX A

### FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

\_\_\_\_\_, 2015

Board of Education  
Moreno Valley Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ \_\_\_\_\_ Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Moreno Valley Unified School District (the "District") voting at an election held on November 4, 2014, and a resolution of the Board of Education of the District adopted on March 10, 2015 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County adopted on March 24, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will

accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,



**APPENDIX B**

**EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS**

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

*The Moreno Valley Unified School District will execute a Continuing Disclosure Certificate in substantially the following form in connection with the issuance of \$\_\_\_\_\_ Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A.*

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Moreno Valley Unified School District (the "District") in connection with the issuance of \$\_\_\_\_\_ of the District's Election of 2014 General Obligation Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to a resolution of the District dated March 10, 2015 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County dated March 24, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions"). The District covenants and agrees as follows:

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

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

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

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

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

"Holder" shall mean the registered owner of the Bonds.

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

"Official Statement" shall mean the Official Statement, dated as of \_\_\_, 2015, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Piper Jaffray & Co., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

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

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

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

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

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

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

- (a) state funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness, as of the last completed fiscal year;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) assessed valuation of taxable property within the District for the current fiscal year; and
- (f) secured *ad valorem* tax charges and delinquencies for the current year, to the extent Riverside County discontinues the Teeter Plan (as such term is defined in the Official Statement).

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

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

#### SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

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

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

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: \_\_\_\_\_, 2015

MORENO VALLEY UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Chief Business Official

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District: MORENO VALLEY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series A

Date of Issuance: \_\_\_\_\_, 2015

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

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

MORENO VALLEY UNIFIED SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required]



## APPENDIX D

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MORENO VALLEY AND RIVERSIDE COUNTY

*The following material is descriptive of the City of Moreno Valley and Riverside County. The following information concerning the City of Moreno Valley and Riverside County is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of Riverside County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.*

#### General

The School District encompasses approximately 752 square miles of the southern part of Riverside County (the "County"). Population centers include the cities of Indio, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes.

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

A relatively young city, Moreno Valley (the "City") witnessed rapid growth in the 1980s and the first decade of the 21st century, making it the second-largest city in Riverside County by population. Located just north of Lake Perris, the City shares March Joint Air Reserve Base with both Riverside, California and the city of Perris. The City is an incorporated common law city and is governed by a council-manager government.

#### Population

The following table lists population estimates for the City, County and State for the past ten years.

#### POPULATION ESTIMATES City of Moreno Valley, County of Riverside and State of California 2005-2014

Year <sup>(1)</sup>	City of Moreno Valley		County of Riverside		State of California	
	Population	% Change	Population	% Change	Population	% Change
2005	167,262	5.4	1,895,695	4.5	35,869,173	0.8
2006	176,830	5.7	1,975,913	4.2	36,116,202	0.7
2007	182,330	3.1	2,049,902	3.7	36,399,676	0.8
2008	185,513	1.7	2,102,741	2.6	36,704,375	0.8
2009	189,690	2.3	2,140,626	1.8	36,966,713	0.7
2010 <sup>(2)</sup>	193,365	1.9	2,189,641	2.3	37,253,956	0.8
2011	194,451	0.6	2,205,731	0.7	37,427,946	0.5
2012	197,088	1.4	2,234,209	1.3	37,668,804	0.6
2013	198,183	0.6	2,255,653	1.0	37,984,138	0.8
2014	199,258	0.5	2,279,967	1.1	38,340,074	0.9

<sup>(1)</sup> As of January 1.

<sup>(2)</sup> As of April 1.

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

2005-09, 2011-14 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

## Personal Income

The following table shows of per capita personal income for the County, State of California and the United States from 2003 through 2012.

**PER CAPITAL PERSONAL INCOME<sup>(1)</sup>**  
**County of Riverside, State of California, and United States**  
**2003-2012**

<u>Year</u>	<u>County of Riverside</u>	<u>California</u>	<u>United States</u>
2003	\$26,837	\$35,298	\$32,676
2004	27,743	37,150	34,300
2005	28,873	38,969	35,888
2006	30,309	41,627	38,127
2007	30,871	43,157	39,804
2008	30,808	43,609	40,873
2009	29,433	41,569	39,357
2010	29,563	42,297	40,163
2011	31,074	44,666	42,298
2012	31,742	46,477	43,735

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

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

## Employment

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. The following table presents the Annual Average Labor Force for the City, County and State from 2007 to 2013.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES City of Moreno Valley, County of Riverside and State of California 2007-2013

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2007	City of Moreno Valley	85,700	79,700	6,100	7.1%
	Riverside County	903,400	848,900	54,500	6.0
	State of California	17,921,000	16,960,700	960,300	5.4
2008	City of Moreno Valley	87,000	78,400	8,600	9.9%
	Riverside County	912,900	835,200	77,800	8.5
	State of California	18,207,300	16,893,900	1,313,500	7.2
2009	City of Moreno Valley	88,200	74,600	13,600	15.5%
	Riverside County	917,100	794,400	122,800	13.4
	State of California	18,220,100	16,155,000	2,065,100	11.3
2010	City of Moreno Valley	90,500	75,400	15,100	16.7%
	Riverside County	939,500	803,300	136,200	14.5
	State of California	18,336,300	16,068,400	2,267,900	12.4
2011	City of Moreno Valley	90,700	76,300	14,400	15.9%
	Riverside County	942,200	812,800	129,400	13.7
	State of California	18,417,900	16,249,600	2,168,300	11.8
2012	City of Moreno Valley	91,200	78,400	12,800	14.1%
	Riverside County	950,600	835,200	115,400	12.1
	State of California	18,519,000	16,589,700	1,929,300	10.4
2013	City of Moreno Valley	91,100	80,300	10,900	11.9%
	Riverside County	953,200	855,300	97,900	10.3
	State of California	18,596,800	16,933,300	1,663,500	8.9

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department.  
March 2013 Benchmark.

The following table summarizes the annual average industry employment statistics for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area ("MSA"), which includes both Riverside and San Bernardino Counties, between 2009 and 2013.

**INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES**  
**Riverside-San Bernardino-Ontario MSA**  
**2009-2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Farm	14,900	15,000	14,900	15,000	14,600
Mining and Logging	1,100	1,000	1,000	1,200	1,200
Construction	67,900	59,700	59,100	62,600	69,300
Manufacturing	88,700	85,100	85,100	86,700	86,800
Wholesale Trade	48,900	48,600	49,000	52,100	56,000
Retail Trade	156,200	155,500	158,500	162,300	164,800
Transportation, Warehousing and Utilities	66,800	66,600	68,800	73,800	78,600
Information	14,100	14,000	12,100	11,500	11,300
Financial Activities	42,500	41,000	39,900	40,800	42,000
Professional and Business Services	125,200	123,400	125,800	127,100	132,600
Education and Health Services	155,000	154,000	157,600	167,200	182,000
Leisure and Hospitality	123,800	122,800	124,000	129,300	136,200
Other Services	37,300	38,200	39,100	40,100	40,800
Government	<u>235,200</u>	<u>234,300</u>	<u>227,500</u>	<u>224,600</u>	<u>225,000</u>
Total All Industries	1,177,600	1,159,300	1,162,200	1,194,200	1,241,000

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

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

**Largest Employers**

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

**LARGEST EMPLOYERS**  
**County of Riverside**  
**2013**

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total County Employees</u>
1. County of Riverside	County Government	18,728	2.23%
2. March Air Reserve Base	Military	9,000	1.07
3. Stater Brothers Market	Grocery retail	6,900	0.82
4. WalMart	General retail	5,681	0.68
5. University of California at Riverside	Higher education and research university	5,497	0.65
6. Riverside Unified School District	Primary & Secondary Education	5,000	0.60
7. Corona-Norco Unified School District	Primary & Secondary Education	4,633	0.55
8. Kaiser Permanente Riverside Med. Center	Hospital and healthcare	4,500	0.54
9. Moreno Valley Unified School District	Primary & Secondary Education	3,355	0.40
10. Hemet Unified School District	Primary & Secondary Education	3,270	0.39

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

**PRINCIPAL EMPLOYERS  
City of Moreno Valley  
2013**

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total City Employees</u>
1. March Air Reserve Base	Military	8,600	26.12%
2. Moreno Valley Unified School District	Primary and secondary education	3,366	10.22
3. Riverside County Regional Medical Ctr.	Hospital and healthcare	2,600	7.90
4. Ross Dress for Less/DD's Discounts	Retail distribution	1,630	4.95
5. Moreno Valley Mall (excludes major tenants)	Retail	1,365	4.15
6. Kaiser Permanente Community Hospital	Hospital and healthcare	944	2.87
7. City of Moreno Valley	Local government	771	2.34
8. Walgreens Co.	Retail distribution	685	2.08
9. Val Verde Unified School District	Primary and secondary education	674	2.05
10. Sketchers USA	Retail distribution	660	1.82

Source: City of Moreno Valley 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

**Retail Trade**

The following tables present a seven-year history of taxable sales in the County and City.

**TAXABLE SALES  
County of Riverside  
2006-2012  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2006	23,322	\$21,842,345	43,672	\$29,816,237
2007	22,918	21,242,516	45,279	29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009	29,829	16,057,488	42,765	22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009

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

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

**TAXABLE SALES**  
**City of Moreno Valley**  
**2006-2012**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2006	1,502	\$1,218,440	2,316	\$1,307,961
2007	1,398	1,170,236	2,312	1,267,045
2008	1,402	1,064,374	2,342	1,154,650
2009	1,546	947,927	2,040	1,018,353
2010	1,652	994,464	2,154	1,067,546
2011	1,693	1,092,691	2,198	1,172,223
2012	1,732	1,185,877	2,231	1,275,922

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

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

**Building Activity**

Provided below are the building permits and valuations for the County and City from 2009 to 2013.

**BUILDING PERMIT VALUATIONS**  
**County of Riverside**  
**2009-2013**  
**(Dollars in Thousands)**

<u>Valuation (\$000):</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$1,053,694	\$1,079,637	\$873,411	\$885,473	\$1,375,593
Non-residential	<u>376,819</u>	<u>539,379</u>	<u>559,398</u>	<u>526,369</u>	<u>873,977</u>
Total*	\$1,430,512	\$1,619,016	\$1,432,809	\$1,411,842	\$2,251,583
Residential Units:					
Single family	3,431	91	2,659	2,981	4,716
Multiple family	<u>759</u>	<u>70</u>	<u>1,061</u>	<u>560</u>	<u>1,427</u>
Total	4,190	161	3,720	3,541	6,143

\* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS**  
**City of Moreno Valley**  
**2009-2013**  
**(Dollars in Thousands)**

Valuation (\$000):	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$31,632	\$36,189	\$8,224	\$17,454	\$49,679
Non-residential	<u>13,422</u>	<u>73,901</u>	<u>77,047</u>	<u>7,809</u>	<u>109,568</u>
Total*	\$45,053	\$110,089	\$87,282	25,453	\$161,260
Residential Units:					
Single family	114	91	23	1	133
Multiple family	<u>0</u>	<u>70</u>	<u>0</u>	<u>82</u>	<u>60</u>
Total	114	161	23	83	193

\* Totals may not add to sums because of rounding.  
Source: *Construction Industry Research Board.*

## APPENDIX E

### RIVERSIDE COUNTY INVESTMENT POOL

*The following information concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make any representation 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. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.*

[REMAINDER OF PAGE LEFT BLANK]