

§[PRINCIPAL AMOUNT]*
JURUPA UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, 2014 ELECTION, 2015 SERIES A

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of, and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, 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 Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides information in connection with the sale of Jurupa Unified School District General Obligation Bonds, 2014 Election, 2015 Series A (the "Bonds"), in the aggregate principal amount of §[Principal Amount]. See "THE BONDS."

The District

The Jurupa Unified School District (the "School District") was established in 1963 and is comprised of an area of approximately 44 square miles. The District is located in the western region of Riverside, County (the "County"), encompassing the City of Jurupa Valley, a portion of the City of Eastvale, and a small portion of ~~unincorporated area, the City of Riverside~~. The District is currently operating 16 elementary schools for grades K-6, three middle schools for grades 7-8, three comprehensive high schools for grades 9-12, one on-line high school, one continuation high school and a Learning Center that houses a community day school, an adult education program, an independent study program and other alternative programs. Enrollment in the District in Fiscal Year 2013-14 (for purposes hereof, the term "Fiscal Year" is utilized when followed by reference to a specific fiscal year) was 19,467 students in grades K-12, including students in the adult education and other alternative programs. Enrollment in grades K-12 in Fiscal Year 2014-15 is expected to be approximately 19,335 students in grades K-12, including students in the adult education and other alternative programs. For more complete information concerning the District, including certain financial information, see APPENDIX A – "Information Relating to the District's Operations and Budget." The District's audited financial statements for the Fiscal Year ~~ended~~ ending June 30, 2014, are included as APPENDIX B and should be read in their entirety.

Sources of Payment for the Bonds

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

* Preliminary, subject to change.

The District received authorization at an election held on November 4, 2014, by an affirmative vote of more than 55% of the votes cast by eligible voters within the District (the "Authorization") to issue not to exceed \$144,000,000 of general obligation bonds. The Bonds will be the first series of bonds sold under the Authorization. See "THE BONDS – Security" and "TAX BASE FOR REPAYMENT OF BONDS – *Ad Valorem* Property Taxation."

Purpose of Issue

The proceeds of the Bonds are authorized to be used to finance the construction of new facilities and renovation and improvement at existing schools and to pay costs of issuance of the Bonds, including premiums for the municipal bond insurance, if any. See "THE BONDS" and "PLAN OF FINANCE" herein.

Description of the Bonds

Bonds. The Bonds are being issued as current interest bonds ("Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), as further described herein.

Payments. The Current Interest Bonds will pay principal of the Current Interest Bonds on August 1 in each of the years and in the amounts set forth on the inside cover of this Official Statement. Interest on the Current Interest Bonds is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2015. The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity amount (the "Maturity Amount") payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2015. "Accreted Value" means with respect to any Capital Appreciation Bond as of any date of calculation, the sum of the initial issue amount thereof (the "Denominational Amount") and the interest accreted thereon to such date of calculation, compounded from the date of delivery at the stated accretion rate thereof on each February 1 and August 1, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day ~~month~~ months.

Registration. The Bonds will be issued in fully-registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the cover page of this Official Statement, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry-Only System" and APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM." In the event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (as defined below). See "THE BONDS – Registration, Transfer and Exchange of Bonds."

Denominations. The Current Interest Bonds will be delivered in denominations of \$5,000 and any integral multiple thereof, and the Capital Appreciation Bonds will be delivered within a Maturity Amount of \$5,000 and any integral multiple thereof.

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

Municipal Bond Insurance

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

Potential Bond Insurer

In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of a Bond may have a claim under any applicable municipal bond insurance policy (a "Policy") secured in connection with the Bonds. Any such Policy will not insure against redemption premium, if any, ~~with respect to~~ on the Bonds. In the event that the provider of any such Policy (a "Bond Insurer") is unable to make payment of principal of or interest on the Bonds as such payments become due under such a Policy, the Bonds will be payable solely as otherwise described herein. In the event that any such Bond Insurer becomes obligated to make payments on the Bonds, no assurance can be given that such event would not adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California ("State") Constitution, the California Government Code ("Government Code") and the California Education Code ("Education Code"), and other applicable law, and pursuant to a resolution adopted by the Board on March __, 2015 (the "District Resolution"), and a resolution adopted by the County Board of Supervisors on April __, 2015 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Nixon Peabody LLP, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about [Closing Date], 2015.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the District with respect to the sale and delivery of the Bonds. Nixon Peabody LLP, Bond Counsel, will deliver its legal opinion in substantially the form set forth in APPENDIX C. McFarlin & Anderson LLP, Laguna Hills, California, is serving as Disclosure Counsel to the District with respect to the Bonds. Nossaman LLP, Irvine, California, is serving as Underwriter's Counsel. Dolinka Group, LLC, Irvine, California, is serving as Financial Advisor to the District. Zions First National Bank, Los Angeles, California, is acting as the initial Paying Agent with respect to the Bonds. The payment of fees and expenses of such firms with respect to the Bonds is contingent on the sale and delivery of the Bonds. The District's financial statements for the Fiscal Year ~~ended~~ ending June 30, 2014, have been audited by Nigro & Nigro, PC, Murrieta, California. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE JURUPA UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR ~~2013-14~~ ENDING JUNE 30, 2014."

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 Assistant Superintendent of Business Services, ~~the~~ Jurupa Unified School District, 4850 Pedley

Road, Jurupa Valley, California 92509, telephone number (951) 360-4168. The District may impose a charge for copying, mailing and handling.

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

The information from sources other than the District set forth herein has been obtained from 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.

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 Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such 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.

All terms used in this Official Statement and not otherwise defined shall have the meanings given such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued and sold by the County in the name and on behalf of the District pursuant to the California Constitution, the Election, the Authorization, the District Resolution, the Resolution and the provisions of Education Code Sections 15100 *et seq.* and 15264 *et seq.*

Security

The Board of Supervisors of the County has the power to and is obligated to annually levy *ad valorem* taxes for the payment of the principal of and the interest on the Bonds upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). 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 deposited into the Debt Service Fund (the "Debt

Service Fund”), which is maintained by the County and is kept separate and distinct from all other District and County funds and which is required by State law to be applied for the payment of principal and Maturity Amount of the Bonds and interest on the Current Interest Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds and to make timely payment of the principal and Maturity Amount of the Bonds and interest on the Current Interest Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and Maturity Amount of, and redemption premium, if any, on the Bonds, and interest on the Current Interest Bonds, as the same becomes due and payable, shall be transferred by the County to the Paying Agent (as defined herein). The Paying Agent will in turn remit the funds to DTC for ~~remittance~~ subsequent disbursement of such principal, Maturity Amount, premium, if any, and interest to its Direct Participants (as defined herein) for subsequent disbursement who in turn disburse funds to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate 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 educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, 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 annual tax rate. The District expects to issue additional series of bonds pursuant to the Authorization and for refunding purposes. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “TAX BASE FOR REPAYMENT OF BONDS” herein.

Description of the Bonds

The Bonds are being issued as current interest bonds ("Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), as further described herein.

Current Interest Bonds. The Current Interest Bonds will pay principal of the Current Interest Bonds on August 1 in each of the years and in the amounts set forth on the inside cover of this Official Statement. Interest on the Current Interest Bonds is payable semiannually on February 1 and August 1 of each year (each an "Interest Payment Date"), commencing on August 1, 2015, at the annual interest rates shown on the inside cover of this Official Statement.

Capital Appreciation Bonds. The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity amount (the "Maturity Amount") payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2015. "Accreted Value" means with respect to any Capital Appreciation Bond as of any date of calculation, the sum of the initial issue amount thereof (the "Denominational Amount") and the interest accreted thereon to such date of calculation, compounded from the date of delivery at the stated accretion rate thereof on each February 1 and August 1, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day month.

See the Maturity Schedule on the inside cover for the maturity schedule of the Bonds and "DEBT SERVICE SCHEDULE" for the debt service schedule for the Bonds and for a schedule of combined debt service of the Bonds and the District's other outstanding general obligation bonds.

Book-Entry-Only System

The Depository Trust Company (defined above as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in book-entry form only and will initially be issued and 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 or Maturity Amount, and will be deposited through the facilities of DTC. Principal or Maturity Amount of, premium, if any, on the Bonds and payment of interest on the Current Interest Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry-only system. See APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent

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

The Paying Agent, the District, the County and the Underwriter of the Bonds have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Payment

Current Interest Bonds. Each Current Interest Bond shall mature on the dates, in the years and in the principal amounts and interest shall be computed at the rates set forth on the inside cover of this Official Statement. Interest on the Current Interest Bonds shall be computed using a year of 360 days, comprised of twelve 30-day months, and shall be payable on each Interest Payment Date to the Owners thereof as of the close of business on the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date, whether or not such day is a Business Day (the "Record Date"). Interest on each Current Interest Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Current Interest Bond, interest with respect thereto is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Current Interest Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate Principal Amount or more of such Current Interest Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Current Interest Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Capital Appreciation Bonds. Interest on each Capital Appreciation Bond shall be compounded semiannually on February 1 and August 1 of each year until maturity, commencing on August 1, 2015, computed using a year of 360 days, comprised of twelve 30-day months, and shall be payable only at maturity as part of the Maturity Amount.

Principal and Maturity Amount of, premium, if any, and interest on any Bond shall be payable in lawful money of the United States of America. Principal and Maturity Amount of, and premium, if any, shall be payable upon surrender thereof at maturity or earlier redemption at the office designated by the Paying Agent.

The Bonds are general obligations of the District secured by *ad valorem* tax revenues levied and collected pursuant to the California Constitution, the Authorization and State law and do not constitute an obligation of the County, except as provided in the Resolution. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

The Bonds maturing on or before August 1, 2025, are not subject to redemption. The Bonds maturing on or after August 1, 2026, may be redeemed before maturity at the option of the District, from any source of funds on August 1, 2025, or on any date thereafter as a whole or in part, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 of each year, commencing August 1, 20__, in the following principal amounts, at a redemption price of par, plus accrued interest to the redemption date:

Mandatory Sinking Fund

| <u>Payment Date</u> <u>(August 1)</u> | <u>Mandatory Sinking</u> <u>Fund Payment</u> |
|--|---|
|--|---|

| | |
|-------|----|
| 20__ | \$ |
| 20__ | |
| 20__ | |
| 20__ | |
| 20__† | |

† (Maturity)

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Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any mandatory sinking fund redemption of Bonds, moneys in the Debt Service Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds in the manner provided in the Resolution. Purchases of Outstanding Bonds may be made by the County at the direction of the District or the County Treasurer through the Paying Agent prior to the selection of the Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par, plus accrued interest.

Selection of Bonds for Redemption

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

Notice of Redemption

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

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

- (a) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register, and to the Information Services (as defined in the Resolution).

- (b) In the event that the Bonds shall be no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given (x) by (i) first-class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories (as defined in the Resolution), and (y) (i) first-class mail, postage prepaid, or (ii) overnight delivery service, to the Information Services.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds, ~~or the cessation or accrual of interest, represented thereby from and after the redemption date~~.

Partial Redemption of Bonds

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

Conditional Notice of Redemption

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

Effect of Notice of Redemption

Notice having been given pursuant to the Resolution and not rescinded, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund or a suitable escrow fund established pursuant to the Resolution, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Resolution, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given (and not rescinded) pursuant to the Resolution, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue or accrete and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the Resolution 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 upon written notice by the District given to the Paying Agent.

Defeasance

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

- (i) by paying or causing to be paid the Principal, premium, if any, and interest on such Bonds, and when the same become due and payable;
- (ii) by depositing with the Paying Agent, in trust, at or before maturity, cash which together with the amounts then on deposit in the escrow fund, together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity or earlier redemption thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or
- (iii) by depositing with an institution that meets the requirements of serving as successor Paying Agent pursuant to the Resolution selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and Regulations which, in the opinion of Bond Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge such Bonds at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

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

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (the "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of and premium, if any, and interest on any Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

The registration of any Bond may be transferred upon the Bond Register upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new

Bond or Bonds, of like tenor and maturity in the same principal or Maturity Amount and in authorized denominations will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether the principal, Maturity Amount, premium, if any, or interest with respect to such Bond shall be overdue or not, for the purpose of receiving payment of principal or Maturity Amount of, premium, if any, and interest on such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Principal or Maturity Amount. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

PLAN OF FINANCE

Proceeds of the Bonds will be utilized to fund modernization, new construction and technology upgrades at several elementary schools within the District, and new construction at a high school, including an innovation center for finance, technology and engineering, stadium modernization and field turf.

Other Uses of Bonds. The remaining proceeds derived from the issuance of the Bonds will also be used to pay the costs incurred in connection with the issuance of the Bonds, including premiums for the Insurance Policy, if any. See "ESTIMATED SOURCES AND USES OF FUNDS."

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:

| | |
|----------------------------|----|
| Principal Amount of Bonds | \$ |
| Net Original Issue Premium | |
| Underwriter's Discount | |
| Total Sources | \$ |

Uses:

| | |
|--|----|
| Building Fund Deposit | \$ |
| Debt Service Fund Deposit ⁽¹⁾ | |
| Costs of Issuance ⁽²⁾ | |
| Total Uses | \$ |

⁽¹⁾ Represents capitalized interest on the Bonds for interest due on August 1, 2015.

⁽²⁾ A portion of the proceeds of the Bonds will be used to pay costs of issuance, including, but not limited to, Bond Counsel and Disclosure Counsel fees, financial advisor fees, County expenses, Paying Agent fees, credit rating fees, municipal bond insurance premium, if any, printing costs and certain other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

| <u>Year Ending August 1</u> | <u>Annual Principal Payment</u> | <u>Annual Interest Payment⁽¹⁾</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 | | | |
| 20__ | \$ | \$ | \$ |

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

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APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, shall be paid to the County to the credit of the fund known as the Building Fund (the "Building Fund") and shall be kept separate and distinct from all other District and County funds. The proceeds shall be used solely for the purpose for which the Bonds are being issued and such proceeds shall be applied solely to authorized purposes which include, among other things, the construction of new facilities and renovation and improvement at existing schools. Bond proceeds may be used to reimburse the District for eligible costs previously incurred. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

Premium, if any, received by the District from the sale of the Bonds shall be kept separate and apart in the Debt Service Fund and shall be used only for payment of principal of and interest on the Bonds. The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the Debt Service Fund. The Bonds shall be paid from the Debt Service Fund. Interest earnings on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the District to pay principal of and interest on the Bonds when due (subject to compliance with applicable federal tax code requirements).

Permitted Investments

The County Treasurer is authorized to invest the proceeds of the sale of the Bonds and all proceeds of taxes for payment of the Bonds in the County Pooled Investment Fund (as defined below), or other investment pools of the County into which District funds may lawfully be invested, the Local Agent Investment Fund of the State, any investment authorized pursuant to Section 16429.1 and Section 53601 of the Government Code, or in shares in a California 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, or in guaranteed investment contracts in general obligations of the United States of America (including State and Local Government Securities of the Department of the Treasury), provided that such investments comply with the requirements of Section 148 of the Code and with the requirements of the Bond Insurer, if any, as shall be applicable.

RIVERSIDE COUNTY TREASURY POOL

Unless the District provides the County Treasurer with other instructions, all amounts held in the Debt Service Fund will be invested in the County Pooled Investment Fund (the "County Pooled Investment Fund"). In addition, in accordance with California Education Code Section 41001, substantially all District operating funds are required to be held by the County Treasurer. See APPENDIX E and APPENDIX F for a description of the County Pooled Investment Fund and the current County Treasurer Statement of Investment Policy.

The information in APPENDIX E and APPENDIX F has been provided by the County Treasurer. Neither the District nor the Underwriter has made an independent investigation of the investments in the County Pooled Investment Fund, and neither the District nor the Underwriter has made any assessment of

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the current County Treasurer's Statement of Investment Policy. The value of the various investments in the County Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including the investments in the County Pooled Investment Fund, generally prevailing interest rates and other economic conditions. The County Treasurer's Statement of Investment Policy is approved annually by the County Board of Supervisors as required by California Government Code Section 53646-(a)-(1) and reviewed annually by the Investment Oversight Committee, pursuant to the requirements of California Government Code Section 27133. The County Treasurer, with the consent of the Investment Oversight Committee and the approval of the County Board of Supervisors, may change the County Treasurer's Statement of Investment Policy at any time. Finally, there are proposed, from time to time in the State Legislature, bills which could modify the currently authorized investments and/or place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurance that the values of the various investments in the County Pooled Investment Fund will not vary significantly from the values described herein.

TAX BASE FOR REPAYMENT 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

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – State Funding of School Districts; Restructuring of the K-12 Funding System" and " – Allocation of State Funding to School Districts; Local Control Funding Formula" and " – EFFECT OF STATE BUDGET ON REVENUES– 2014-15 State Budget" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in Fiscal Year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed the way in which levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using "full cash value" as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the

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growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

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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 property, and property (real or personal) for which there is a lien on such property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

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Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent 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 County Treasurer-Tax Collector.

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

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District Assessed Valuation. The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization ("SBE"). See " - Taxation of State-Assessed Utility Property" below and APPENDIX A. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX A - "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

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Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on

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the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the SBE. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. This may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating non-unitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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

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The County only provides information for tax charges and corresponding delinquencies by local agencies with respect to debt service levies for voter approved indebtedness. It does not provide such information for the 1% general tax levy. See also " - Teeter Plan" below.

Assessed Valuations

Assessed Valuation of Property Within District. Property within the District had a total assessed valuation for Fiscal Year 2014-15 of \$8,073,041,020. The table below shows the assessed valuation in the District for Fiscal Years 2005-06 through 2014-15.

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Table 1
JURUPA UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2005-06 through 2014-15

| Fiscal Year | Secured Valuation | Utility | Unsecured Valuation | Total | % Change |
|--------------------|--------------------------|----------------|----------------------------|-----------------|-----------------|
| 2005-06 | \$5,481,632,051 | \$14,431,350 | -\$374,630,813 | \$5,870,694,214 | — |
| 2006-07 | 6,341,242,908 | 13,971,539 | 381,387,401 | 6,736,601,848 | 14.75% |
| 2007-08 | 7,368,005,924 | 11,059,377 | 425,454,643 | 7,804,519,944 | 15.85 |
| 2008-09 | 7,644,897,843 | 11,010,814 | 489,268,853 | 8,145,177,510 | 4.36 |
| 2009-10 | 7,100,474,894 | 7,540,012 | 503,661,045 | 7,611,675,951 | (6.55) |
| 2010-11 | 6,852,159,799 | 7,246,702 | 493,662,686 | 7,353,069,187 | (3.40) |
| 2011-12 | 6,857,717,634 | 8,316,432 | 537,353,222 | 7,403,387,288 | 0.68 |
| 2012-13 | 6,934,961,217 | 7,956,527 | 520,802,428 | 7,463,720,172 | 0.81 |
| 2013-14 | 7,225,660,310 | 7,675,505 | 541,381,700 | 7,774,717,515 | 4.17 |
| 2014-15 | 7,549,068,407 | 8,225,034 | 515,747,579 | 8,073,041,020 | 3.84 |

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Source: California Municipal Statistics, Inc.

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

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any

one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

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

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

The following table shows the Fiscal Year 2014-15 assessed valuations for each jurisdiction within the District.

Table 2
JURUPA UNIFIED SCHOOL DISTRICT
2014-15 Assessed Valuation by Jurisdiction⁽¹⁾

| <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 Eastvale | \$1,044,786,997 | 12.94% | \$7,591,778,770 | 13.76% |
| City of Jurupa | 7,028,100,672 | 87.06 | 7,373,758,322 | 95.31 |
| City of Riverside | <u>153,351</u> | <u>0.00</u> | 24,614,768,393 | 0.00 |
| Total District | \$8,073,041,020 | 100.00% | | |
| Total Riverside County | \$8,073,041,020 | 100.00% | \$225,770,065,829 | 3.58% |

⁽¹⁾Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

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Largest Property Owners

Table 3 below lists the 20 largest property taxpayers within the District measured by secured assessed valuation for Fiscal Year 2014-15.

**Table 3
JURUPA UNIFIED SCHOOL DISTRICT
Largest 2014-15 Local Secured Property Owners**

| Property Owner | Primary Land Use | 2014-15 Assessed Valuation | % of Total ⁽¹⁾ |
|--|------------------|----------------------------|---------------------------|
| 1. Teachers Insurance & Annuity Association of America | Industrial | \$132,504,970 | 1.76% |
| 2. Homecoming at Eastvale | Apartments | 127,987,699 | 1.70 |
| 3. AMB Institutional Alliance Fund III | Industrial | 102,098,627 | 1.35 |
| 4. Costco Wholesale Corp. | Industrial | 99,721,610 | 1.32 |
| 5. LBA CPT Industrial Co. 1 | Industrial | 89,096,764 | 1.18 |
| 6. Eastvale Gateway | Industrial | 87,615,284 | 1.16 |
| 7. Tarpon Prop Ownership 2 UPS Supply Chain Solutions General Services Inc. | Undeveloped | 85,385,895 | 1.13 |
| 8. Metal Container Corp. | Industrial | 82,210,196 | 1.09 |
| 9. Lineage CC CA RE | Industrial | 65,108,964 | 0.86 |
| 10. Comref So Ca Industrial Sub A | Industrial | 61,625,844 | 0.82 |
| 11. Ontario Warehouse 1 Inc. | Industrial | 59,967,566 | 0.79 |
| 12. Cella | Industrial | 51,929,166 | 0.69 |
| 13. Space Center Mira Loma Inc. | Industrial | 50,682,201 | 0.67 |
| 14. Prefco XVIII Ltd. | Industrial | 47,325,360 | 0.63 |
| 15. Broadstone Country Village | Apartments | 45,386,385 | 0.60 |
| 16. Industrial Properties Fund VII | Industrial | 45,079,974 | 0.60 |
| 17. Millard Refrigerated Service Atlanta II | Industrial | 45,000,000 | 0.60 |
| 18. CDCG Group Holdings | Undeveloped | 43,487,759 | 0.58 |
| 19. Prologis California I | Industrial | 43,440,604 | 0.58 |
| 20. Total | | \$1,408,177,044 | 18.65% |

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⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$7,549,068,407

Source: California Municipal Statistics, Inc. :

Assessed Valuation by Land Use

Table 4 below provides a distribution of taxable property located in the District on the 2014-15 tax roll by principal purpose for which the land is used and the assessed valuation and number of parcels for each use.

Table 4
JURUPA UNIFIED SCHOOL DISTRICT
2014-15 Assessed Valuation and Parcels by Land Use⁽¹⁾

| Land Use | Assessed Valuation | | Parcels | | | |
|---------------------------------|---|----------------|----------------|----------------|------------------------|----------------|
| | 2014-15 Assessed Valuation ⁽¹⁾ | % of Total | No. of Parcels | % of Total | No. of Taxable Parcels | % of Total |
| Non-Residential: | | | | | | |
| Agricultural/Rural | \$174,362,871 | 2.31% | 118 | 0.48% | 114 | 0.47% |
| Commercial & Industrial | 3,176,046,701 | 42.07 | 2,159 | 8.78 | 2,140 | 8.89 |
| Government/Social/Institutional | 2,882,605 | 0.04 | 314 | 1.28 | 103 | 0.43 |
| Subtotal Residential | \$3,353,292,177 | 44.42% | 2,591 | 10.54% | 2,357 | 9.79% |
| Residential: | | | | | | |
| Single-Family | \$3,600,423,260 | 47.69% | 18,362 | 74.71% | 18,362 | 76.27% |
| Condominium/Townhouse | 23,243,563 | 0.31 | 181 | 0.74 | 181 | 0.75 |
| Mobile Home | 17,327,077 | 0.23 | 186 | 0.76 | 186 | 0.77 |
| 2-4 Residential Units | 123,648,109 | 1.64 | 582 | 2.37 | 582 | 2.42 |
| 5+ Residential Units/Apartments | 252,871,737 | 3.35 | 131 | 0.53 | 130 | 0.54 |
| Miscellaneous Residential | 1,354,989 | 0.02 | 5 | 0.02 | 5 | 0.02 |
| Subtotal Non-Residential | \$4,018,868,735 | 53.24% | 19,447 | 79.12% | 19,446 | 80.73% |
| Vacant Parcels | \$176,907,495 | 2.34% | 2,541 | 10.34% | 2,272 | 9.44% |
| Total | \$7,549,068,407 | 100.00% | 24,579 | 100.00% | 24,075 | 100.00% |

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

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single-Family Homes

Table 5 below shows the assessed valuation of single-family homes in the District for tax year 2014-15, including the median and mean assessed value per single-family parcel.

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**Table 5
JURUPA UNIFIED SCHOOL DISTRICT
Per Parcel 2014-15 Assessed Valuation of Single-Family Homes**

| | <u>No. of Parcels</u> | <u>2014-15 of Assessed Valuation</u> | <u>Average Assessed Valuation</u> | <u>Median Assessed Valuation</u> |
|---------------------------|---------------------------|--|---|--|
| Single-Family Residential | 18,362 | \$3,600,423,260 | \$196,080 | \$187,846 |

| <u>2014-15 Assessed Valuation</u> | <u>No. of Parcels⁽¹⁾</u> | <u>% Total</u> | <u>of Cumulative % of Total</u> | <u>Total Valuation</u> | <u>% Total</u> | <u>of Cumulative of Total</u> |
|---------------------------------------|---|--------------------|---|------------------------|--------------------|---------------------------------------|
| \$0-\$24,999 | 94 | 0.512% | 0.512% | \$1,781,060 | 0.049% | 0.049% |
| \$25,000-\$49,999 | 607 | 3.306 | 3.818 | 23,214,584 | 0.645 | 0.694 |
| \$50,000-\$74,999 | 605 | 3.295 | 7.113 | 38,137,091 | 1.059 | 1.753 |
| \$75,000-\$99,999 | 1,028 | 5.599 | 12.711 | 90,874,704 | 2.524 | 4.277 |
| \$100,00-\$124,999 | 1,532 | 8.343 | 21.054 | 172,859,063 | 4.801 | 9.079 |
| \$125,000-\$149,999 | 1,785 | 9.721 | 30.776 | 245,798,524 | 6.827 | 15.905 |
| \$150,000-\$174,999 | 2,292 | 12.482 | 43.258 | 372,932,377 | 10.358 | 26.264 |
| \$175,000-\$199,999 | 2,426 | 13.212 | 56.470 | 454,408,687 | 12.621 | 38.884 |
| \$200,000-\$224,999 | 2,045 | 11.137 | 67.607 | 433,487,480 | 12.040 | 50.924 |
| \$225,000-\$249,999 | 1,628 | 8.866 | 76.473 | 385,251,799 | 10.700 | 61.625 |
| \$250,000-\$274,999 | 1,259 | 6.857 | 83.330 | 328,881,313 | 9.135 | 70.759 |
| \$275,000-\$299,999 | 829 | 4.515 | 87.844 | 237,643,068 | 6.600 | 77.360 |
| \$300,000-\$324,999 | 684 | 3.725 | 91.570 | 212,955,190 | 5.915 | 83.274 |
| \$325,000-\$349,999 | 516 | 2.810 | 94.380 | 173,762,361 | 4.826 | 88.100 |
| \$350,000-\$374,999 | 309 | 1.683 | 96.063 | 111,550,143 | 3.098 | 91.199 |
| \$375,000-\$399,999 | 209 | 1.138 | 97.201 | 80,654,966 | 2.240 | 93.439 |
| \$400,000-\$424,999 | 160 | 0.871 | 98.072 | 65,886,079 | 1.830 | 95.269 |
| \$425,000-\$449,999 | 143 | 0.779 | 98.851 | 62,575,243 | 1.738 | 97.007 |
| \$450,000-\$474,999 | 108 | 0.588 | 99.439 | 49,862,109 | 1.385 | 98.392 |
| \$475,000-\$499,999 | 33 | 0.180 | 99.619 | 16,069,174 | 0.446 | 98.838 |
| \$500,000 & greater | 70 | 0.381 | 100.000 | 41,838,245 | 1.162 | 100.000 |
| Total | 18,362 | 100.000% | | \$3,600,423,260 | 100.000% | |

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

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Table 6 below summarizes the annual secured tax charges for debt service within the District and the amount delinquent as of June 30 for the previous five fiscal years. Under the terms of the County's Teeter Plan, the District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

**Table 6
SECURED TAX CHARGES AND DELINQUENCIES**

**JURUPA UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2010-11 through 2014-15**

| <u>Fiscal Year</u> | <u>Secured Tax Charge⁽¹⁾</u> | <u>Delinquent Taxes Secured as of June 30</u> | <u>% Delinquent June 30</u> |
|--------------------|---|---|-----------------------------|
| 2007-08 | \$2,139,859.93 | \$166,950.59 | 7.80% |
| 2008-09 | 2,941,860.66 | 179,317.97 | 6.10 |
| 2009-10 | 2,697,208.22 | 97,006.56 | 3.60 |
| 2010-11 | 3,076,348.65 | 74,655.81 | 2.43 |
| 2011-12 | 3,321,285.27 | 76,547.73 | 2.30 |

⁽¹⁾Bond debt service levy only.

Source: California Municipal Statistics, Inc.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors of a county orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors,

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by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency

The *ad valorem* taxes for payment of the Bonds are included in the County's Teeter Program.

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Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

There are a total of 112 tax rate areas in the District. A representative tax rate area in the District, Tax Rate Area 28-033, had a Fiscal Year 2014-15 assessed valuation of \$1,134,623,782. The table below shows the *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 28-033 within the District from Fiscal Years 2010-11 through 2014-15.

Table 7
JURUPA UNIFIED SCHOOL DISTRICT
Typical Total Ad Valorem Tax Rates as a Percentage of Assessed Valuation (TRA 23-033)
Fiscal Years 2010-11 through 2014-15

| | <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% |
| Jurupa Unified School District | .04598 | .04927 | .04783 | .04914 | .04619 |
| Riverside Community College District | .01499 | .01700 | .01702 | .01768 | .01791 |
| Metropolitan Water District | .00370 | .00370 | .00350 | .00350 | .00350 |
| Total | 1.06467% | 1.06997% | 1.06835% | 1.07032% | 1.06760% |

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Bonds to be approved by a 55% popular vote, bonds approved by the voters within the District at the November 4, 2014, election may not be issued unless the District projects that repayment of all outstanding bonds approved at such election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Bonds, the District projects that the maximum tax rate required to repay the Bonds approved at such November 4, 2014, election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the

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authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Bonds in each year.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. in January 2015 for debt issued as of _____, 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. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

Table 8
JURUPA UNIFIED SCHOOL DISTRICT
Estimated Direct and Overlapping Bonded Debt
As of January 1, 2015

2014-15 Assessed Valuation: \$8,073,041,020

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> | <u>Debt 1/1/15</u> |
|---|---------------------|--------------------------|
| Metropolitan Water District | 0.346% | \$ 441,098 |
| Riverside City Community College District | 9.655 | 21,926,247 |
| Jurupa Unified School District | 100. | 44,747,972 (1) |
| City of Riverside | 0.001 | 134 |
| Agua Mansa Industrial Growth Association Community Facilities District No. 2002-1 | 47.697 | 5,730,795 |
| Jurupa Community Services District Community Facilities District Nos. 1 and 34 | 100. | 25,930,000 |
| Jurupa Unified School District Community Facilities District No. 1, I.A. Nos. 1 and 2 | 100. | 1,165,000 |
| Jurupa Unified School District Community Facilities District No. 2 | 100. | 345,000 |
| Jurupa Unified School District Community Facilities District No. 3 | 100. | 1,395,000 |
| Jurupa Unified School District Community Facilities District No. 4, Zone 2 | 100. | 2,690,000 |
| Jurupa Unified School District Community Facilities District No. 6, Zone 1 | 100. | <u>2,100,000</u> |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$106,471,246 |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | |
| Riverside County General Fund Obligations | 3.576% | \$23,499,570 |
| Riverside County Pension Obligation Bonds | 3.576 | 11,962,256 |
| Riverside County Board of Education Certificates of Participation | 3.576 | 65,620 |
| Jurupa Unified School District General Fund Obligations | 100. | 14,564,429 |
| City of Riverside General Fund and Pension Obligation Bonds | 0.001 | <u>3,124</u> |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$50,094,999 |
| Less: Riverside County supported obligations | | <u>301,752</u> |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$49,793,247 |
| <u>OVERLAPPING TAX INCREMENT DEBT:</u> | | |
| Riverside County Redevelopment Agency Project Area No. 2 (Jurupa Valley) | 94.796% | \$216,831,697 |
| Riverside County Redevelopment Agency Project Area No. 4 (Desert Communities Project) | 0.457 | 633,500 |
| Riverside County Redevelopment Agency Combined Housing Bonds | 3.542 | <u>64,274,741</u> |
| TOTAL OVERLAPPING TAX INCREMENT DEBT | | \$281,739,938 |
| GROSS COMBINED TOTAL DEBT | | \$438,306,183 (2) |
| NET COMBINED TOTAL DEBT | | \$438,004,431 |

(1) Excludes issue to be sold.

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

Ratios to 2014-15 Assessed Valuation:

| | |
|---|--------------|
| Direct Debt (\$44,747,972) | 0.55% |
| Total Direct and Overlapping Tax and Assessment Debt..... | 1.32% |
| Combined Direct Debt (\$59,312,401) | 0.73% |
| Gross Combined Total Debt..... | 5.43% |
| Net Combined Total Debt | 5.43% |

Ratios to Redevelopment Incremental Valuation (\$3,466,328,269):

| | |
|---|-------|
| Total Overlapping Tax Increment Debt..... | 8.13% |
|---|-------|

Source: California Municipal Statistics, Inc.

See "APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – Outstanding Debt; Financial Obligations."

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TAX MATTERS

Federal Income Taxes

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

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

State Taxes

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

Original Issue Discount

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

Original Issue Premium

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

Ancillary Tax Matters

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

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

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

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. Bond Counsel notes that in each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under

Section 103 of the Code (including the Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of Owners of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

OTHER LEGAL MATTERS

Continuing Disclosure

The District will agree for the benefit of current registered owners of any Bonds (the "Owners") to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of significant events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." See "OTHER LEGAL MATTERS – Continuing Disclosure" herein.

A review of previous disclosure filings during the last five years with respect to financings by the District and community facilities districts formed by the District indicates that the District did not comply in all respects with its prior undertakings. For example, (i) the District filed interim budget reports up to approximately two (2) months after the date required under the applicable disclosure undertaking or in some instances did not specifically file an interim budget report with respect to a particular financing, (ii) the District filed audit and annual reports up to approximately two (2) months after the date required under the applicable disclosure undertaking or in some instances did not specifically file an audit and annual report with respect to a particular financing, (iii) the District did not specifically file an annual report or the Fiscal Year 2011-12 audit report with respect to the 2012 General Obligation Refunding Bonds issued on December 12, 2012, but information to be included in the annual report was contained in the Official Statement and such audit report was filed with respect to other filings made by the District through the EMMA System, and (iv) some annual reports filed by the District did not include each of the specifically listed items in the applicable annual report. Finally, the District did not provide notice relating to each rating change that may have occurred with respect to a rated financing. The District has since filed the foregoing items for currently outstanding financings and is now in compliance with respect to its continuing disclosure obligations. In order to remain in compliance with its undertakings in the future, the District and the community facilities districts have implemented procedures to file their annual reports on a timely basis and consolidated the personnel or firm responsible for preparing and/or monitoring compliance with the respective disclosure undertakings.

Limitation on Remedies; Amounts Held in the County Pooled Investment Fund

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX_C, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Beneficial Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its

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governmental bodies in the interest of serving a significant and legitimate public purpose, the limitations on remedies against school and community college districts on the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the State Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Pooled Investment Fund, as described above. In the event the District or the County were to enter into bankruptcy proceedings, a federal bankruptcy court might hold that the owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Debt Service Fund, where such amounts are deposited into the County's Pooled Investment Fund, and such amounts may not be available for payment of the principal and interest on the Bonds ~~under~~ unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County's Pooled Investment Fund. Under any such circumstances, there could be delays or reductions in payment on the Bonds.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate or certificates 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* taxes or contesting the District's ability to issue and retire the Bonds.

RATINGS

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds. If the Insurance Policy is acquired, Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), will assign ratings to the Bonds with the understanding that, upon delivery of the Bonds, the Insurance Policy will be issued by the Bond Insurer. Absent the Insurance Policy, S&P is expected to assign a rating of "___" to the Bonds. The rating agency may have

obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agency. The rating is not a recommendation to buy, sell or hold the Bonds. The rating reflects only the view of the rating agency with respect to its rating and an explanation of the significance of such rating may be obtained from it. No assurance can be given that the rating of a rating agency will be maintained for any given period of time or that the rating may not be revised downward or withdrawn entirely by the rating agency, if in its own judgment, circumstances warrant. Any such downward change in or withdrawal may have an adverse effect on the market price of the Bonds. The Underwriter and the District have not undertaken any responsibility after the offering of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Rating Downgrades of Municipal Bond Insurers. In the past, Moody's Investors Service, S&P and Fitch Ratings (the "Rating Agencies") have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Additional downgrades or negative changes in the rating outlook are possible. In addition, recent events in the credit markets have had a substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of any Insurer that issues a Policy with respect to the Bonds. The District and the Underwriter have not made an independent investigation into the claims paying ability of any such potential Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the Base Rental Payments which secure payment of the principal of and interest on the Bonds and the claims paying ability of potential Insurers, particularly over the life of the investment.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed to purchase the Bonds at a price of \$ _____, consisting of the principal amount of the Bonds of \$ _____, plus net original premium of \$ _____, less an Underwriter's discount of \$ _____. The Bond Purchase Agreement relating to 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 page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution 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. This Official Statement has been approved by the District Board of Education.

JURUPA UNIFIED SCHOOL DISTRICT

By: _____
Elliott Duchon, Superintendent



APPENDIX A
INFORMATION RELATING TO THE DISTRICT'S
OPERATIONS AND BUDGET

THE DISTRICT

The information in this section concerning the Jurupa Unified School District (the "District") is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security" herein.

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History, Operation and Administration

The District was established in 1963, and is comprised of an area of approximately 44 square miles. The District is located in the western region of Riverside, County (the "County"), encompassing the City of Jurupa Valley, a portion of the City of Eastvale, and a small portion of ~~unincorporated area~~ the City of Riverside. The District is currently operating 16 elementary schools for grades K-6, three middle schools for grades 7-8, three comprehensive high schools for grades 9-12, one on-line high school, one continuation high school and a Learning Center that houses a community day school, an adult education program, an independent study program and other alternative programs. Enrollment in the District in Fiscal Year 2013-14 (for purposes hereof, the term "Fiscal Year" is utilized when followed by reference to a specific fiscal year) was 19,467 students in grades K-12, including students in the adult education and other alternative programs. Enrollment in grades K-12 in Fiscal Year 2014-15 is expected to be approximately 19,335 students in grades K-12, including students in the adult education and other alternative programs. For more complete information concerning the District, including certain financial information, see "Information Relating to the District's Operations and Budget" below. The District's current pupil/teacher ratio contractually for grades K-3 is 32:1, for grade levels 4 through 6 is 34:1, for grade levels 7 and 8 is 35:1 and for grade levels 9 through 12 is 36:1. However, the District is moving toward a grade span adjustment (GSA) for K-3 per school of 24:1 as required under Local Control Funding Formula regulations.

Board of Education

The District is governed by a Board of Education (the "Board"), consisting of five members, each of whom is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election.

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Current members of the Board, together with their offices and the dates their current terms expire, are listed below:

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**BOARD OF EDUCATION
Jurupa Unified School District**

| <u>Name</u> | <u>Office</u> | <u>Current Term Expires</u> |
|----------------|---------------|-----------------------------|
| Sheryl Schmidt | President | December 2016 |
| Memo Mendez | Clerk | December 2018 |
| Linda Chard | Member | December 2016 |
| Robert Garcia | Member | December 2018 |
| Donna Johnston | Member | December 2018 |

Source: Jurupa Unified School District.

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other District administrators and supervisors. Brief biographies of the Superintendent and other administrative officers are set forth below.

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Elliott Duchon, Superintendent. Elliott Duchon, Superintendent for the Jurupa Unified School District, is serving in his 11th year as Superintendent, which places him as the longest tenured Superintendent of the 23 school districts in Riverside County. Mr. Duchon holds Bachelor's (*Cum Laude*) and Master's degrees from the University of California, Riverside. He began his teaching career with Jurupa in 1977 and served as a teacher, and also supervised the work of parent volunteers and instructional aides. Following this, he served as a consultant for the Riverside County Office of Education ("RCOE") and then as an Administrator for RCOE. In his 26 years with RCOE, he held positions from Administrator, to Director, and in his last 10 years with RCOE, Mr. Duchon served as Assistant Superintendent of Schools. He has been involved with and supervised virtually every aspect of K-12 education. In 2001, Mr. Duchon became the Deputy Superintendent for the District and assumed his current role in 2004.

Paula Ford, Assistant Superintendent of Business Services. Paula Ford, Assistant Superintendent of Business Services, assumed the position of Assistant Superintendent of Business Services June 1, 2013, after serving as Director of Education-Information Technology for the District since May 2011 and Coordinator of Education Technology from July, 1999, to April 2011. Ms. Ford holds a Master's degree from National University, a Bachelor's degree from California State University-San Bernardino and a Teaching Credential from California Baptist University.

Karen Russell, Director of Fiscal Services. Karen Russell, Director of Fiscal Services, assumed the position of Director in January 2008 after first serving as Supervisor of Accounting for the District since January 1997. Prior to employment with the District, she worked in the private sector as a controller and prior to that as a bookkeeper for various accounting firms. She earned her Bachelor of Science degree in Education from Stephen F. Austin State University in Texas.

State Funding of School Districts; Restructuring of the K-12 Funding System

General. The District's operating income consist primarily of two components: a state portion funded from the State's general fund and a locally generated portion derived from the District's share of the 1% local *ad valorem* property tax ~~authorize~~ authorized by the State Constitution. California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Aggregate State Education Fund; Proposition 98 On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (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 current level of guaranteed funding pursuant to Proposition 98 is approximately 35% of the State general fund.

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budget in a different way than is proposed in the Governor's Budget. In any event, it is possible that the Accountability Act could place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes. (See APPENDIX A "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET - EFFECT OF STATE BUDGET ON REVENUES" and " - DISTRICT FINANCIAL INFORMATION" below.)

Local Control Funding Formula. The 2013-14 Budget contained a new school funding allocation system (the "Local Control Funding Formula" or "LCFF" hereafter). State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). Under the former system, the Proposition 98 funding was allocated in such a way that approximately two-thirds of the revenues received by school districts was allocated based on complex historical formulas (known as "revenue limit" funds), and approximately one-third of the revenues received by school districts was derived through numerous "categorical programs," such as for summer school textbooks, staff development, gifted and talented students, and counselors for middle and high schools. The Local Control Funding Formula replaces revenue limit and most categorical program funding. The State budget provided funding commencing in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in the categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; (2) school districts with high concentrations of English learners and lower income families; and (3) high school students. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. Full implementation of the LCFF is estimated to take approximately eight years.

With revenues based on per-pupil rates, as augmented by the funding supplements, changes in enrollment will cause a school district to gain or lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

Because the District's legal minimum funding level is not expected to be met from local property taxes alone, the District budgeted receipt of general operating funds from the State in Fiscal Year 2014-15. The District projects receipt of approximately \$147,936,875 in local control funding from the State in Fiscal Year 2014-15. The District also projects receipt of approximately \$9,898,664 of other State unrestricted categorical funding in Fiscal Year 2014-15. Total State funding accounts for approximately 86.25% of the District's overall revenues. As a result, decrease or deferrals in State revenues, or in State legislative appropriations made to fund education may significantly affect District operations.

Average Daily Attendance

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. ~~The first of the following two tables~~ Table 1 shows the District's enrollment, ~~A.D.A.~~ ADA and revenue limit per ~~A.D.A.~~ ADA for ~~2007-08~~ 2005-06 through 2012-13 under the historical funding program. ~~The second of the two following tables~~ Table 2 shows the average daily attendance by grade year for purposes of the Local Control Funding Formula for Fiscal Years 2013-14 to 2014-15.

Table 1
JURUPA UNIFIED SCHOOL DISTRICT
Average Daily Attendance, Base Revenue Limit and
Deficited Base Revenue Limit
Fiscal Years 2005-06 through 2012-13

| <u>Fiscal Year</u> | <u>Total Average Daily Attendance</u> | <u>Base Revenue Limit per Student per Year</u> | <u>Deficited Base Revenue Limit per Student per Year</u> |
|--------------------|---------------------------------------|--|--|
| 2005-06 | 20,012 | \$5,162.34 | \$5,116.29 |
| 2006-07 | 19,792 | 5,534.47 | 5,534.47 |
| 2007-08 | 19,555 | 5,786.47 | 5,786.47 |
| 2008-09 | 19,552 | 6,115.47 | 5,635.77 |
| 2009-10 | 19,477 | 6,376.47 | 4,953.07 |
| 2010-11 | 19,461 | 6,360.76 | 5,218.18 |
| 2011-12 | 19,351 | 6,503.95 | 5,164.01 |
| 2012-13 | 19,267 | 6,716.22 | 5,220.38 |

⁽¹⁾ Estimated.

Source: Jurupa Unified School District.

The following table shows a breakdown of the District's ADA by grade span, total enrollment and the percentage of EL/LI student enrollment for Fiscal Years 2013-14 to 2014-15.

Table 2
JURUPA UNIFIED SCHOOL DISTRICT
LOCAL CONTROL FUNDING FORMULA
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Year 2013-14 to 2014-15

| <u>Fiscal Year</u> | <u>Average Daily Attendance⁽¹⁾</u> | | | | <u>Enrollment</u> | | |
|------------------------|---|------------|------------|-------------|-------------------|-------------------------|--|
| | <u>K-3</u> | <u>4-6</u> | <u>7-8</u> | <u>9-12</u> | <u>Total ADA</u> | <u>Total Enrollment</u> | <u>% of EL/LI Enrollment⁽²⁾</u> |
| 2013-14 ⁽³⁾ | 5,821 | 4,424 | 2,800 | 5,763 | 18,808 | 19,467 | 80.93% |
| 2014-15 ⁽⁴⁾ | 5,772 | 4,481 | 2,803 | 5,620 | 18,676 | 19,335 | 81.48 |

⁽¹⁾ ADA is 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.

⁽²⁾ As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's Fiscal Year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL/LI enrollment will be 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.

⁽³⁾ Actual.

⁽⁴⁾ Budgeted.

Source: Jurupa Unified School District.

Employee Relations

The teachers of the District (certificated non-management personnel) are represented by the National Education Association. The contract for certificated personnel will expire on June 30, 2017. As of June 30, 2014, the District's certificated non-management employees had a total payroll of \$73,957,690, and for Fiscal Year 2014-15 have a budgeted total payroll of \$81,249,348.

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The California School Employees Association ("CSEA") has been selected as the exclusive bargaining agent for non-teaching, non-management (classified) personnel. The contract for the classified personnel will expire on June 30, 2017. As of June 30, 2014, the District's classified non-management employees had a total payroll of \$24,008,324, and for Fiscal Year 2014-15 have budgeted total payroll of \$25,848,030.

Management, supervisory and confidential personnel are comprised of certificated and classified personnel who are self-represented. The Superintendent and upper-level management have employment contracts. As of June 30, 2014, the District's management, supervisory and confidential employees had a total payroll of \$7,721,289, and for Fiscal Year 2014-15 have a budgeted total payroll of \$8,404,240.

For Fiscal Year 2014-15, the estimated split between the number of certificated and classified employees is approximately 57% certificated and 43% classified. The table below sets forth the number of certificated and classified employees employed by the District for Fiscal Years 2009-10 through 2014-15.

Table 3
JURUPA UNIFIED SCHOOL DISTRICT
EMPLOYEES
Fiscal Years 2009-10 through 2014-15

| Fiscal Year | Total Number of Certificated Employees | Total Number of Classified Employees | Total Number of Management Employees | Total Number of Employees |
|-------------|--|--------------------------------------|--------------------------------------|---------------------------|
| 2009-10 | 988 | 660 | 84 | 1,732 |
| 2010-11 | 923 | 660 | 84 | 1,667 |
| 2011-12 | | 662 | 83 | 1,660 |
| 2012-13 | 899 | 657 | 84 | 1,640 |
| 2013-14 | 875 | 650 | 84 | 1,609 |
| 2014-15 | 893 | 690 | 87 | 1,670 |

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Source: Jurupa Unified School District.

Retirement Programs

The District participates in the State of California Teachers' Retirement System ("STRS"), which provides benefits to full-time certificated personnel. Active plan members are required to contribute 8% of their salary. The required employer contribution rate for Fiscal Year 2012-13 was 8.25% of annual payroll and for Fiscal Year 2013-14 was 8.25% of annual payroll. Budgeted figures for Fiscal Year 2014-15 are 8.88% of the annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for Fiscal Years 2011-12 through 2013-14 were \$6,310,846, \$6,295,651, and \$6,496,529, respectively.

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Interested persons may review the STRS website for details regarding its programs – <http://www.calstrs.com> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, STRS investments lost substantial value at that time. STRS used an averaging process that recognizes gains and losses over a three-year period, as a result of which the fund is still being affected by losses incurred during the market downturn. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2013, identified the level of funding for the STRS defined benefit program at 66.9% of full funding, with an estimated actuarial obligation of \$222.7 billion, an actuarial valuation of assets of \$148.6 billion and unfunded actuarial obligations of \$73.67 billion. In recent years, historical unfunded actuarial obligations for the defined benefit plan have ranged from being over funded in the late 1990's to the 66.9% of full funding estimated in the June 30, 2013 valuation. Contributions to STRS are generally fixed by State law.

The 2014-15 State Budget includes a plan of shared responsibility among the State, school districts and teachers. The first year's increased contributions from all three entities are estimated in the 2014-15 State Budget at \$275 million. The contributions are proposed to increase in subsequent years, reaching more than \$5 billion annually. The 2014-15 State Budget indicates that total contributions currently equal 19.3% of teacher payroll and are estimated to rise to 35.7%. This increase is estimated in the 2014-15 State Budget to eliminate the unfunded liability by approximately 2046.

The District also participates in the State of California Public Employees Retirement System ("PERS") which provides benefits to full-time classified personnel and part-time employees who are employed more than 1,000 hours during the year. The District contributes an amount equal to 7.0% of the active plan members' salary as well as an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The required employer contribution for Fiscal Year 2011-12 was 10.923% and for Fiscal Year 2012-13 the contribution rate was 11.417%. The contribution requirements of the plan members were established by State statute. The District's contributions to PERS for Fiscal Years 2011-12 through 2013-14 were \$3,883,303, \$3,877,260 and \$3,767,411, respectively.

Interested persons may review the PERS website for details regarding its programs – <http://www.calpers.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of the PERS adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. In December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2013, identified the level of funding for the PERS defined benefit program for schools at 80.5% of full funding. PERS website does not provide an estimate of the actuarial obligations, of the estimated actuarial valuation of assets or of the estimated unfunded actuarial obligations. PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification as the PERS governing board determines how to address the unfunded actuarial obligations. At its April 17, 2013 meeting, the Board approved a change to the CalPERS amortization and smoothing policies. Beginning with the June 30, 2014, valuation, the newly adopted direct smoothing method will be used to set the 2015-16 rates for the State and Schools defined benefit plans. Under this new direct rate smoothing method, all gains and losses will be paid over a fixed 30-year period with the increases or decreases in the rate spread over a 5-year period. On February 20, 2014, the

PERS governing board adopted new assumptions regarding the longer life expectancy of state retirees. The impact of these assumptions will be \$1 billion phased in over three years. The costs in Fiscal Year 2014-15 will be \$430 million (\$254 million is a State General Fund).

For Fiscal Year 2014-15, the District has budgeted for a STRS contribution of \$7,134,723 and a PERS contribution of \$4,381,287.

Pension Reform

On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013 (the "Implementation Date"). For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and school district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

GASB 67 and 68

On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new standards that aimed to improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, revised existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and

comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.

Post-Retirement Health Care Benefits

The District provides other post-employment benefits ("OPEB"), in accordance with District contracts, to all employees who retire from the District with at least 10 years of service and retirement under STRS and PERS. The District administers a single-employer defined benefit OPEB plan that provides medical, dental and vision benefits to eligible retirees and their spouses. These medical benefits are provided at the same level employees are receiving at the time of retirement or to age 65 for eligible retirees and their eligible spouses. The District's funding policy is based on the projected pay-as-you-go funding requirements, with additional amounts to prefund benefits as determined annually by the governing board. During Fiscal Years 2012-13 and 2013-14, the District contributed \$1,130,445 and \$1,251,597, respectively, and for Fiscal Year 2014-15 budgeted \$1,337,907 for retirees' healthcare benefits.

The Government Accounting Standards Board ("GASB") issued its final accrual accounting standards for retiree healthcare benefits, GASB 45, in June 2004 ("GASB 45"). GASB 45 requires local governmental employers who provide OPEB as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. GASB 45 establishes standards for the measurement, recognition and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the governmental employer.

Pursuant to GASB 45, the District retained Nyhart to assess the District's liabilities in connection with GASB 45. The report was prepared on September 24, 2014, with a July 1, 2014 valuation date. The next report will be valued as of July 1, 2016 under the biennial rules. The report concluded that the amount of actuarial liability (past and present) for the District, as of July 1, 2014, was \$53,456,820. As of July 1, 2014, the most recent actuarial evaluation date, the District did not have a funded plan. The actuarial accrued liability ("AAL") for benefits was \$33.2 million and the unfunded actuarial accrued liability ("UAAL") was \$33.2 million.

In the past, financial reporting for the District for OPEB was generally based on pay-as-you-go financing approaches. Such practices fail to measure or recognize the cost of OPEB during the periods when employees render the services or provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

GASB 45 generally provides for prospective implementation; that is, the employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District was required to implement the provisions of GASB 45 beginning in the Fiscal Year ending June 30, 2008.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Years 2010-11 through 2014-15 are set forth in the following table.

**Table 4
JURUPA UNIFIED SCHOOL DISTRICT**

**OPEB OBLIGATIONS
Fiscal Years 2010-11 through 2014-15**

| <u>Fiscal Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------------------|---|-----------------------------------|--------------------------------|
| 2011 | \$3,239,148 | 36.0% | \$8,632,300 |
| 2012 | 3,285,417 | 36.6 | 10,715,498 |
| 2013 | 3,264,880 | 34.6 | 12,850,728 |
| 2014 | 3,303,748 | 37.9 | 14,903,508 |
| 2015 ⁽¹⁾ | 4,511,497 | 29.7 | 16,904,473 |

⁽¹⁾ Budgeted.

Source: Jurupa Unified School District Audit Report for the Fiscal Year ~~ended~~ ending June 30, 2014, and budget for Fiscal Year ~~ended~~ ending June 30, 2015.

Supplemental Early Retirement Plans (SERP) and Early Retirement Incentives. Since July 1, 2008, the District has participated in a number of supplemental early retirement plans and incentives to the benefit of the employees. The plans vary in benefit and duration. Most plans will come to term at the end of the Fiscal Year 2014-15, with the remaining plans ending by 2017-18.

Payments for all plans totaled \$1,518,460 in Fiscal Year 2013-14. The Fiscal Year 2014-15 liability is \$1,344,973 and will be funded by the unrestricted general fund through salary savings of the retired employees. The savings exceed the liability each year.

Insurance

The District is self-insured for property damage up to \$5,000 per claim and for general liability up to \$100,000 per claim. The general fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The District also participates in a joint powers authority, Southern California Relief ("SCR"), which provides excess liability and property coverage for the District. During Fiscal Year ~~ended~~ ending June 30, 2014, the District made payments of \$549,526 to SCR. The policy has a \$100,000 deductible per liability claim, with the excess coverage provided by SAFER through SCR. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District participates in a joint powers authority, Riverside Schools Risk Management Authority ("RSRMA"), for workers compensation coverage. The excess coverage is provided by Protected Insurance Program for Schools & Community Colleges Joint Powers Authority (PIPS), a public entity risk pool through RSRMA.

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The District additionally participates in a joint powers authority Riverside County Employer/Employee Partnership for Benefits ("REEP") to deliver health, dental and vision services to the employees. The District currently holds contracts with Kaiser, Blue Cross, United Healthcare for medical and surgical benefits and with MetLife Dental and Delta Dental for dental benefits through REEP. Basic life insurance benefits are provided through American Fidelity, Prudential or Unum/Provident.

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Charter Schools

There are no charter schools nor applications pending for a charter school in the District as of the date of this Official Statement.

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EFFECT OF STATE BUDGET ON REVENUES

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

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Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. Prior to implementation commencing in Fiscal Year 2013-14 of the Local Control Funding Formula, the primary source of funding for school districts was the revenue limit, which was a combination of State funds and local property taxes (see APPENDIX A "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL INFORMATION – State Funding of School Districts; Restructuring of the K-12 Funding System" below). Under the Local Control Funding formula, State funds typically make up the majority of a district's funding, as was the case under the previous revenue limit funding. In the past, school districts also received substantial funding from the State for various categorical programs. Commencing with Fiscal Year 2008-09, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wished. These flexibility provisions were extended for seven years, 2008-09 through 2014-15 by Education Code Section 42605. Revenues received by the District from all State sources accounted for approximately 80.87% of total general fund revenues in Fiscal Year 2011-12, for approximately 84.41% of total general fund revenues in Fiscal Year 2012-13, for approximately 92.35% of total general fund revenues in Fiscal Year 2013-14 and is estimated to account for approximately 85.44% of total general fund revenues in Fiscal Year 2014-15.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State general fund) and the annual State budget process. As a result of the slow State and United States of America economies, the State in recent years experienced serious budgetary shortfalls. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the property within the District cannot be predicted.

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

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

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next, by permanently deferring the year end apportionment from June 30 to July 2; by suspending Proposition 98, as the State did in 2004-05; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

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

Ballot Propositions. On November 2, 2010, voters approved Propositions 22, 25 and 26. Proposition 22 prohibits State legislators from using existing funds allocated to local government, public safety and transportation. Proposition 25 lowered the vote threshold for lawmakers to pass the State budget from two-thirds to a simple majority. Proposition 26 requires a two-thirds affirmative vote in the State Legislature and local governments to pass many fees, levies, charges and tax revenue allocations that under previous rules could be enacted by a simple majority vote.

Timing of Adoption of the California State Budget and School District Budgets. Following the enactment of Proposition 25 on November 2, 2010, the Governor is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the Legislature no later than June 15. Prior to enactment of Proposition 25, the final budget was required to be approved by a 2/3rds majority vote of each house of the Legislature and the June 15 deadline was routinely breached. For example, prior to enactment of Proposition 25, the State budget approval occurred as late as September 23, 2008 for the Fiscal Year 2008-09 State Budget and October 8, 2010 for the Fiscal Year 2010-11 State Budget. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. State income tax, sales tax, and other receipts

can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds, and the District takes no responsibility for informing Owners of the Bonds as to any such annual fluctuations.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website www.sco.ca.gov. Neither the District nor the Underwriter take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by reference. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website <http://www.ebudget.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement), where recent official statements for State bonds are posted, (ii) the California State Treasurer's Internet home page <http://www.treasurer.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the State's audited financial statements, various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts, (iii) the California Department of Finance's internet home page <http://www.dof.ca.gov/budget> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the text of the budget and information regarding the State budget, and (iv) the State Legislative Analyst's Office ("LAO") <http://www.lao.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which prepares analyses and reports regarding the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the Underwriter or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

2015-16 Proposed State Budget. On January 9, 2015, the Governor released his proposed State budget for Fiscal Year 2015-16 (the "2015-16 Proposed Budget"). The 2015-16 Proposed Budget proposed 65.7 billion with respect to the Proposition 98 (as defined below in "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS - Proposition 98") minimum funding guarantee for Fiscal Year 2013-14. For Fiscal Year 2014-15, the Proposition 98 minimum funding guarantee was proposed to be revised to \$63.2

billion, an increase of \$18.4 billion in four years from the low of \$47.3 billion in Fiscal Year 2011-12 and an increase of \$2.3 billion over the Fiscal Year 2014-15 Budget Act amount of \$60.9 for Proposition 98 guarantee levels. The Proposed Budget allocates an increase of more than \$2,600 per student in Fiscal Year 2015-16 over 2011-12 levels for K-12 education. The 2015-16 Proposed Budget utilizes the funding to implement the LCFF in advance of earlier estimates. The 2015-16 Proposed Budget sets the minimum funding guarantee for Fiscal Year 2015-16, at \$65.7 billion. Ongoing Proposition 98 per-pupil expenditures are projected to be \$9,667, and total per-pupil expenditures from all sources are projected to be \$13,462.

The 2015-16 Proposed Budget notes that the historical statewide general obligation bond program for construction and renovation of public school classrooms (the "current School Facilities Program") has no bond authority remaining in the State's core school facilities new construction and modernization programs and that there are a number of shortcomings with the current School Facilities Program. Rather than support a bond measure for the current School Facilities Program, the 2015-16 Proposed Budget proposes a number of recommendations for the design of a new program in place of the current School Facilities Program, including (i) increasing tools for local control by expanding assessed value caps for specific local bond measures conducted under Proposition 39, restructuring developer fees for school facilities, and expanding allowable uses of routine restricted maintenance funding, (ii) targeting state funding of school facilities in a way that (a) limits eligibility to school districts with low per-student assessed values, (b) prioritizes funding for health and safety and severe overcrowding projects, and (c) establishes a sliding scale to determine the State share of project costs based on local capacity to finance projects, and (iii) augmenting charter school facility grant program to fund charter schools either serving or located in attendance areas where at least 55 percent of the students qualify for free or reduced-price meals.

The LAO, a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2015-16 Proposed State Budget entitled "The 2015-16 Budget: Overview of the Governor's Budget" on January 13, 2015 (the "2015-16 Proposed Budget Overview"). In the 2015-16 Proposed Budget Overview, the LAO acknowledges that the Governor's budgeting philosophy continues to be a prudent one for the most part. The LAO noted that in the near term, the Governor's reluctance to propose significant new program commitments outside of Proposition 98 could help avoid a return to the boom and bust budgeting of the past. The LAO also noted that while the budget is on track to enter the next downturn and is healthier than it was a decade ago, the State's finances remain vulnerable to the sudden tax revenue declines that will inevitably return with little warning. The array of complex budget formulas – especially those of Propositions 98 and 2 – complicate budget planning and could exacerbate this vulnerability in some scenarios. *The 2015-16 Proposed Budget Overview is available from the LAO at www.lao.ca.gov but such information is not incorporated herein by reference.*

2014-15 State Budget. On June 20, 2014, the Governor signed the State Budget approved by the State Legislature on June 15, 2014 (the "2014-15 State Budget"). The 2014-15 State Budget assumes, for Fiscal Year 2013-14, total general fund revenues of \$102.2 billion, and total expenditures of \$100.7 billion. The State was projected to end Fiscal Year 2013-14 with a general fund surplus of \$2.9 billion. For Fiscal Year 2014-15, the 2014-15 State Budget assumes total general fund revenues of \$105.5 billion and authorizes expenditures of \$108 billion. The 2014-15 State Budget also authorizes a deposit of \$1.6 billion to the Budget Stabilization Account/Rainy Day Fund (the "Rainy Day Fund") (discussed below). The State is projected to end the 2014-15 Fiscal Year with a \$1.4 billion general fund surplus. The 2014-15 State Budget reduces more than \$10 billion of the State's debt by paying down the deferral of payments to schools by \$5 billion, paying off the State's Economic Recovery Bonds, repaying various special fund loans and funding \$100 million in mandate claims owed to local governments. The 2014-15 State Budget also includes a plan of shared responsibility among the State, school districts and teachers to shore up the State's teacher pension system with contributions increasing to reach more than \$5 billion

annually, projected to eliminate the system's unfunded liability by 2046. In addition, a constitutional amendment placed on the November 4, 2014, ballot to establish the Rainy Day Fund was approved by the voters and requires deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8 percent of General Fund tax revenues. In addition, 1.5 percent of annual General Fund revenues is to be set aside each year with a maximum fund size set at 10 percent of General Fund revenues. The Rainy Day Fund also include a Proposition 98 reserve, whereby spikes in funding would be saved for future years to even out school spending and thereby minimize future cuts. This Proposition 98 reserve makes no changes to the Proposition 98 calculations.

Except as otherwise noted, the following information is drawn from the State Department of Finance's summary of the 2014-15 State Budget. Additional information regarding the 2014-15 State Budget is available from the State Department of Finance at www.dof.ca.gov but such information is not incorporated herein by reference.

With respect to K-12 funding, the 2014-15 State Budget includes total funding of \$76.6 billion (\$45.3 billion General Fund and \$31.3 billion other funds) for all K-12 education programs, including Proposition 98 funding of \$60.9 billion for Fiscal Year 2014-15, an increase of \$5.6 billion over the 2013 Budget Act level. When combined with increases of \$4.4 billion in Fiscal Years 2012-13 and 2013-14, the 2014-15 State Budget provides a \$10 billion increase in K-12 education funding and an increase in Proposition 98 funding for K-12 education by more than \$12 billion from Fiscal Year 2011-12 to Fiscal Year 2014-15, representing an increase of more than \$1,900 per student.

Significant features of the 2014-15 State Budget affecting K-12 school districts include:

- Local Control Funding Formula — An increase of \$4.75 billion Proposition 98 General Fund to continue the State's transition to the LCFF, closing the remaining funding implementation gap by more the 29 percent.
- K-12 Deferrals — Repayment of approximately \$4.7 billion Proposition 98 General Fund for K-12 expenses that had been deferred from one year to the next during the recent recession, leaving an outstanding balance of less than \$900 million in K-12 deferrals. The 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to Fiscal Years 2013-14 and 2014-15 subsequent to the enactment of the Budget for the purpose of retiring the remaining deferral balance.
- Independent Study — Streamlining 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 — An increase of \$400.5 million in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs to make a significant down payment on outstanding mandate debt while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- K-12 High-Speed Internet Access — An increase of \$26.7 million in one-time Proposition 98 General Fund for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for Common Core implementation.
- Career Technical Education Pathways Program — An increase of \$250 million in one-time Proposition 98 General Fund to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the 2013 Budget Act, the

Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

- Child Care — \$57 million General Fund and \$30 million Proposition 98 General Fund for 500 slots for the Alternative Payment program, 1,000 slots for General Child Care, 7,500 part-day State Preschool slots, and 7,500 part-day wrap around care slots. The 2014-15 State Budget also specifies that an additional 4,000 part-day State Preschool slots and 4,000 part-day wrap around care slots will be provided in Fiscal Year 2015-16.

Included in the 2014-15 State Budget trailer bills is a provision which caps the amount of money school districts may set aside for economic crises if state-level reserves reach certain levels if the State electorate approves the Rainy Day Fund.

Future Budget Impacts. The State Budget will be affected by national and State economic conditions and other factors. The District cannot predict what impact the 2014-15 State Budget will have on its finances and operations, or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. From Fiscal Year 2001-02 through Fiscal Year 2010-11, the Governor and the State Legislature came within several weeks of meeting the statutory deadline for approval of the State Budget only three times, but since enactment of Proposition 25 on November 2, 2010, the Governor and the State Legislature met the statutory deadline for approval of the State Budget in each subsequent fiscal year.

Litigation Regarding State Budgetary Provisions; Redevelopment Litigation. On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate in *California Redevelopment Association et al. v. Ana Matosantos et al.* (“Matosantos”) with the Supreme Court of California alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22 (the Local Taxpayer, Public Safety and Transportation Protection Act, approved by the voters of the State on November 2, 2010, hereafter referred to as “Proposition 22”). The petitioners alleged, among other things, that ABx1 26 and ABx1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State’s obligation to fund education. The petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims were adjudicated.

On December 29, 2011, the California Supreme Court issued its ruling in *Matosantos*. The Court upheld ABx1 26, the bill that dissolves all redevelopment agencies and directs the resolution of their activities. However, it found that ABx1 27, which allows redevelopment agencies to avoid elimination by making certain payments to offset state budget expenses, is unconstitutional. As a result, all redevelopment agencies were required to dissolve and transfer their assets and liabilities to “successor agencies” that will wind down the redevelopment agencies’ affairs. Based on the decision, all redevelopment agencies were dissolved as of February 1, 2012.

Tax increment revenues that would have been directed to redevelopment agencies will be distributed to make “Pass-Through Payments” to local agencies that they would have received under prior law and to successor agencies for retirement of the redevelopment agencies’ debts and for limited administrative costs. The remaining revenues will be distributed as property tax revenues to cities, counties, school districts, community college districts and special districts. The District cannot predict whether, or to what extent, the elimination of redevelopment agencies will affect the pass-through payments the District receives or whether amounts received will be offset against other funds the State would otherwise have paid to the District. See “THE BONDS – Security.”

The District entered into agreements with several redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.) (generally,

“Redevelopment Agencies”), pursuant to which the District has, in the past, received “pass-through” tax increment revenues (the “Redevelopment Revenues”). The District received \$3,271,965 in Redevelopment Revenues for Fiscal Year 2013-14 and for Fiscal Year 2014-15, the second interim projection is \$3,000,000. The projection for Fiscal Year 2015-16 is expected to remain at approximately \$3,000,000.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies.

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DISTRICT FINANCIAL INFORMATION

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

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Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the Fiscal Year ~~ended~~ ending June 30, 2014, which are included as APPENDIX B.

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

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

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the Fiscal Year ~~ended~~ ending June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the office of the

Superintendent of the Jurupa Unified School District, 4850 Pedley Road, Riverside, California 92509. The audited financial statements for the ~~year-ended~~Year ending June 30, 2014, are included in APPENDIX B herein.

Nigro & Nigro has not been requested to consent to the use or to the inclusion of its reports in this Official Statement and they have neither audited nor reviewed this Official Statement. The District is required by law to adopt audited financial statements after a public meeting to be conducted no later than January 31, following the close of each fiscal year.

Tables 6 ~~and 7~~through 8 below shows information from the District's audited financial statements for recent fiscal years.

The District Cannot Predict Variations in State Education Funding in the Future

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

To the extent negatively impacted by actions taken by the Governor and the State Legislature to address changing State revenues generally or by State revenues available for education specifically, the District may need to develop and implement different or additional budgetary adjustments to contend with its projected deficit spending over the next two fiscal years. See " – District Budget Process and County Review" below.

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

Prior to the implementation of LCFF in Fiscal Year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in units of average daily attendance ("~~A.D.A.~~ADA"). The base revenue limit is calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 7 of the California Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now

referred to as "LCFF districts." The District is an LCFF district.

Beginning in Fiscal Year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of ~~A.D.A.~~ADA with additional supplemental funding allocated to local education agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, as described above.

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Local Sources of Education Funding

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

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

Local Property Taxation

General. Taxable property located in the District has a 2014-15 assessed value of approximately \$7,403,387,288 (before redevelopment increment reductions). All taxable 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. State law also exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. 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.

The assessment of all property and levy and collection of local property taxes is required to be performed for the District by the County. District property taxes are assessed and collected by the County at the same time and on the same rolls as county, special district, and city property taxes. The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August of each year. The resulting secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year. Taxes on unsecured property are levied at the preceding fiscal year's tax rate and become delinquent on October 31.

Future assessed valuation growth allowed under Article XIII A (as a result of new construction, certain changes of ownership, and increases in the cost of living of up to 2% per year) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will 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. The availability

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of revenue from growth in an agency tax base is affected by the existence or establishment of redevelopment agencies which, under certain circumstances, may be entitled to such revenues.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property, business inventories, boats and airplanes. Unsecured property is assessed on the "unsecured roll."

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

Changes in the California electric utility industry structure and in the way in which components of the industry are owned and regulated, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District cannot predict the impact that these changes may have on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and allocating tax revenues to local taxing agencies, including the District.

Developer Fees

The District maintains a capital project fund, separate and apart from the general fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth.

Collection of such fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current Level I (for residential additions) developer fee is \$3.36 per square foot of habitable space on domestic housing developments. The current Level II (new residential dwelling or second unit) developer fee is \$4.30 effective January 21, 2015. The current developer fee on commercial and industrial developments is \$.54 per square foot. As of June 30, 2014, a balance of \$2,823,619 existed in the District's Capital Facilities Fund.

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Table 5 below sets forth the collected developer fees for Fiscal Years 2005-06 through 2014-15.

Table 5
JURUPA UNIFIED SCHOOL DISTRICT
Developer Fees
Fiscal Years 2005-06 through 2014-15

| <u>Fiscal Year</u> | <u>Developer Fees Collected</u> |
|--------------------|---------------------------------|
| 2005-06 | \$2,004,583 |
| 2006-07 | 2,010,811 |
| 2007-08 | 1,702,291 |
| 2008-09 | 123,215 |
| 2009-10 | 578,680 |
| 2010-11 | 589,947 |
| 2011-12 | 370,506 |
| 2012-13 | 239,701 |
| 2013-14 | 2,026,912 |
| 2014-15 | 1,435,824* |

*Budgeted.

Source: Jurupa Unified School District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the Department of Education's *California School Accounting Manual*. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the Fiscal Year ~~ended~~ ending June 30, 2014, which are included as APPENDIX-B. Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year.

The District categorizes its general fund revenues into four sources: (i) local control funding formula sources, (ii) federal revenues, (iii) other State revenues, and (iv) other local revenues. Each of these revenue sources is described below.

Local Control Funding Formula Sources. Funding of the District's local control funding is provided by a mix of local property taxes and State aid. Local Control Funding Formula revenues are expected to comprise approximately 80.84% of the District's general fund revenues in 2014-15. The District anticipates that it will receive approximately \$108 million in base grant funding, \$19.2 million in supplemental grant funding and \$14.8 million in concentration grant funding. The District also anticipates receiving additional moneys for the targeted instruction improvement grant, transportation, the K-3 grade span adjustment (GSA) grant and the 9-12 augmentation.

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Beginning in Fiscal Year 1978-79, Proposition 13 and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. Property taxes collected by the County which are used to pay the principal of and interest on the general obligations do not constitute local property taxes for purposes of being applied toward the District's local control funding.

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Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the No Child Left Behind Act, and specialized programs such as nutrition education and Indian education, as well as funds made available under ARRA. The federal revenues, most of which are restricted, comprised approximately 10.78% of the District's general fund revenues in 2012-13, 9.14% in Fiscal Year 2013-14 and are projected to equal approximately 7.5% in Fiscal Year 2014-15.

Other State Revenues. As discussed above, the District receives State apportionment of aid which now related to the Local Control Funding Formula and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues ("Other State Revenues"). In Fiscal Years 2012-13 and 2013-14, Other State Revenues includes approximately 16.69% and 7.03%, respectively, of total general fund revenues. In Fiscal Year 2014-15, Other State Revenues are projected to equal approximately 5.4% of total general fund revenues. Some of the Other State Revenues are restricted to specific types of program uses such as special education. Temporary flexibility provisions relating to other State revenues ended June 30, 2014.

The District receives revenue from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction or the financing of research. In Fiscal Years 2012-13 and 2013-14 Lottery revenues comprised approximately 2.07% and 1.97%, respectively, of general fund revenues. In Fiscal Year 2014-15, Lottery revenues are estimated to be approximately 1.76% of total general fund revenues.

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Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources ("Other Local Sources") from items such as the leasing of property owned by the District and interest earnings. In Fiscal Years 2012-13 and 2013-14, Other Local Sources comprised for approximately 6.5% and 6.26%, respectively, of total general fund revenues. In Fiscal Year 2014-15, Other Local Sources are projected to equal approximately 6.24% of total general fund revenues.

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Comparative Financial Statements and 2014-15 Adopted Budget

The District's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States for all governmental funds, except for those funds associated with the District's component units. The Board of Education adopts an operating budget no later than July 1 in accordance with State law. The Board of Education revises the budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in the District's financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major project account.

Table 56 below summarizes the District's Statement of General Fund Revenues, Expenditures and Fund Balances for Fiscal Years 2009-10 through 2013-14. The figures in the table below are taken from the District's audited financial statements. See APPENDIX B - "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED/ENDING JUNE 30, 2014" for District financial information as of June 30, 2014.

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**Table 6
 JURUPA UNIFIED SCHOOL DISTRICT
 General Fund Revenues, Expenditures and Fund Balances - Fiscal Years 2009-10 through 2013-14**

| | Audited 2009-10 | Audited 2010-11 | Audited 2011-12 | Audited 2012-13 | Audited 2013-14 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenues | | | | | |
| General Revenues: | | | | | |
| LCFF sources/Revenue Limit sources | - | - | \$100,546,765 | \$100,905,597 | \$127,768,671 |
| Property taxes | \$20,358,295 | \$16,889,007 | 0- | 0- | 0- |
| Federal sources | 0- | 0 | 20,445,369 | 13,543,764 | 13,460,797 |
| Other state sources | 0- | 0 | 26,156,567 | 26,136,417 | 11,459,268 |
| Federal and state aid not restricted to specific purpose | 97,977,529 | 105,033,178 | 0- | 0- | 0- |
| Earnings on investments | 339,412 | 197,310 | 0- | 0- | 0- |
| Interagency revenues | 5,554 | 4,849 | 0- | 0- | 0- |
| Miscellaneous | 1,100,859 | 936,348 | 0- | 0- | 0- |
| Program Revenues: | | | | | |
| Charges for services | 197,334 | 173,887 | 0- | 0- | 0- |
| Operating grants and contributions | 28,539,061 | 33,191,099 | 0- | 0- | 0- |
| Other local sources | 0 | 0 | 9,573,670 | 9,968,721 | 10,309,140 |
| Total Revenues | \$148,518,044 | \$156,425,678 | \$156,722,371 | \$150,554,499 | \$162,997,876 |
| Expenditures | | | | | |
| Instructional Services: | | | | | |
| Instruction | \$101,695,053 | \$98,853,796 | \$100,714,689 | \$100,521,633 | \$106,724,703 |
| Instruction -- Related Services: | | | | | |
| Supervision of instruction | 4,390,533 | 4,444,545 | 5,938,274 | 5,329,651 | 5,344,554 |
| Instructional library, media, and technology | 1,261,585 | 1,259,540 | 1,236,692 | 1,086,600 | 1,256,467 |
| School site administration | 8,762,244 | 8,771,032 | 8,652,524 | 9,000,028 | 9,418,049 |
| Pupil Support Services | | | | | |
| Home-to school transportation | 5,537,634 | 6,022,439 | 4,820,416 | 4,209,686 | 4,064,936 |
| Food services | 125,416 | 68,899 | 51,693 | 28,838 | 83,996 |
| All other pupil services | 7,179,085 | 6,803,346 | 6,985,361 | 7,392,788 | 7,715,792 |
| General Administration Services: | | | | | |
| Data processing services | 1,239,577 | 1,184,767 | 1,228,621 | 1,203,186 | 1,208,069 |
| Other general administration | 3,838,925 | 3,778,129 | 3,999,593 | 4,700,984 | 4,316,512 |
| Plant services | | | | | |
| Facility acquisition and construction | 15,245,210 | 15,955,923 | 15,729,079 | 15,893,565 | 15,672,915 |
| Ancillary services | 28,241 | 27,111 | 30,418 | 0 | 0 |
| Community services | 743,458 | 740,883 | 774,337 | 891,954 | 761,049 |
| Enterprise Activities | 40,146 | 28,781 | 27,085 | 13,173 | 17,722 |
| Transfers of indirect costs/Transfers between agencies | 143,748 | 200,000 | 200,000 | 200,000 | 0 |
| All other outgo | (14,230) | 89,316 | 50,000 | (258,948) | (302,616) |
| Capital Outlay | 0 | 0 | 41,179 | 0 | 0 |
| Intergovernmental Transfers | 0 | 0 | 0 | 91,633 | 34,159 |
| Debt Service -- Principal | 214,377 | 96,230 | 136,294 | (32) | 896,951 |
| Debt Service - Interest | 45,834 | 29,860 | 220,196 | 140,374 | 1,408,262 |
| Debt Service -- Issuance costs | 0 | 211,704 | 254,045 | 32,384 | 913,461 |
| Total Expenditures | <u>\$150,476,836</u> | <u>\$148,566,301</u> | <u>\$151,090,496</u> | <u>\$150,822,947</u> | <u>\$159,697,708</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$(1,958,792)</u> | <u>\$7,859,377</u> | <u>\$5,631,875</u> | <u>\$(268,448)</u> | <u>\$3,300,168</u> |
| Other Financing Sources (Uses) | | | | | |
| Interfund transfers in | 751,228 | 773,583 | 0 | 473,583 | 473,583 |
| Interfund transfers out | (3,814,517) | (2,600,875) | (3,056,282) | (2,836,234) | (3,271,965) |
| Proceeds from capital leases | 0 | 0 | 41,179 | 59,063 | 396,749 |
| Proceeds from long term debt | 0 | 285,405 | 0 | 0 | 0 |
| Total Other Financing Sources and Uses | <u>-(3,063,289)</u> | <u>-(1,541,887)</u> | <u>(3,015,103)</u> | <u>(2,303,588)</u> | <u>(2,401,633)</u> |
| Net Change in Fund Balances | (5,022,081) | 6,317,490 | 2,616,772 | (2,572,036) | 898,535 |
| Fund Balance, as originally stated, July 1 | <u>\$23,251,452</u> | <u>\$18,229,371</u> | <u>\$24,546,861</u> | <u>\$27,163,633</u> | <u>\$24,281,639</u> |
| Adjustment for Restatement | 0 | 0 | 0 | (309,958) | 0 |
| Fund Balance, as restated, July 1 | 0 | <u>\$18,229,371</u> | <u>\$24,546,861</u> | <u>\$26,853,675</u> | <u>\$24,281,639</u> |
| Fund Balance, June 30 | <u>\$23,251,452</u> | <u>\$24,546,861</u> | <u>\$27,163,633</u> | <u>\$24,281,639</u> | <u>\$25,180,174</u> |

Source: Jurupa Unified School District Audited Financial Statements for Fiscal Years 2009-10 through 2013-14.

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District Budget Process and County Review

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

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

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

A State law adopted in 1991 (known as "AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has never received a negative certification, however, for its Fiscal Year 2010-11 second interim certification and its Fiscal Year 2011-12 and 2012-13 first and second interim certifications, the District self-qualified. The "self qualifications" were based on the inability of the District to meet its financial obligations for one or more relevant periods covered by such certifications due to the uncertainty of the State to meet its financial obligations to the District in such years. The County Superintendent concurred with the self-

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qualified status. After the Governor's Budget Acts were adopted, the District made revisions to its multi-year budget projections. For the first and second interim certifications for Fiscal Year 2013-14 and the first interim certification for Fiscal Year 2014-15, the District filed positive certifications and the County Superintendent concurred with the positive certifications. As of October 1, 2014, based on State law, the multi-year projections have balanced budgets in all fiscal years and exceed a 3% reserve in Fiscal Years 2014-15, 2015-16 and 2016-17.

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts. See APPENDIX B - "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED ~~ENDING~~ JUNE 30, 2014."

The table below summarizes the District's income and expenses for Fiscal Years 2010-11 through 2014-15.

Table 7
JURUPA UNIFIED SCHOOL DISTRICT
Income and Expenses
Fiscal Years 2010-11 through 2014-15

| | 2010-11 Adopted Budget | 2010-11 Audited Actuals | 2011-12 Adopted Budget | 2011-12 Audited Actuals | 2012-13 Adopted Budget | 2012-13 Audited Actuals | 2013-14 Adopted Budget | 2013-14 Audited Actuals | |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------|
| REVENUES | | | | | | | | | |
| LCFF/Revenue Limit Sources | | | | | | | | | |
| Federal Revenue | \$96,935,712 | \$102,321,203 | \$95,308,300 | \$100,546,765 | \$92,272,417 | \$100,905,597 | \$103,355,108 | \$127,768,671 | [20] |
| Other State Revenue | \$19,151,501 | \$19,244,611 | \$18,962,167 | \$20,391,144 | \$14,051,915 | \$13,487,666 | \$13,831,088 | \$13,409,933 | [21] |
| Local Revenues | 23,351,258 | 25,451,847 | 24,227,774 | 26,156,567 | 25,259,996 | 26,136,417 | 29,696,996 | 11,459,268 | [22] |
| | 8,706,863 | 9,368,223 | 9,449,235 | 9,573,670 | 8,322,974 | 9,968,721 | 9,156,022 | 10,309,140 | [23] |
| Total Revenues | \$148,145,334 | \$156,385,884 | \$147,947,476 | \$156,668,146 | \$139,907,302 | \$150,498,401 | \$156,039,035 | \$162,947,012 | [24] |
| EXPENDITURES | | | | | | | | | |
| ++ | | | | | | | | | |
| Certificated Salaries | \$78,162,615 | \$76,727,611 | \$77,895,934 | \$77,241,468 | \$81,278,488 | \$77,222,588 | \$80,826,743 | \$79,284,453 | [30] |
| Classified Salaries | 23,283,012 | 23,159,018 | 23,556,896 | 23,115,880 | 22,398,000 | 23,442,276 | 23,403,015 | 23,434,280 | [31] |
| Employee Benefits | 27,335,531 | 26,862,331 | 29,850,750 | 29,334,719 | 28,831,659 | 29,659,995 | 30,484,347 | 29,468,753 | [32] |
| Books and Supplies | 4,842,004 | 6,022,092 | 5,093,954 | 6,301,421 | 4,512,292 | 4,840,607 | 4,794,256 | 8,342,332 | [33] |
| Services and Other Operating Expenditures | 19,347,378 | 14,690,470 | 16,874,705 | 14,678,466 | 16,795,128 | 15,559,925 | 17,056,831 | 16,133,267 | [34] |
| Capital Outlay | 43,541 | 828,633 | 5,920 | 418,059 | 11,000 | 127,680 | 41,297 | 67,702 | [35] |
| Transfers of Indirect Costs | (393,885) | (264,459) | 200,794 | (274,965) | (277,000) | (258,948) | (277,000) | (302,616) | [36] |
| Other Outgo | 224,269 | 500,811 | (282,232) | 221,223 | 215,893 | (32) | 2,508,311 | 896,951 | [37] |
| Intergovernmental Transfers | 0 | 0 | 0 | 0 | (395,298) | (32) | 0 | 0 | [38] |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 172,758 | 0 | 2,321,723 | [39] |
| Total Expenditures | \$152,844,465 | \$148,526,507 | \$153,196,721 | \$151,036,271 | \$153,765,460 | \$150,766,849 | \$158,837,800 | \$159,646,845 | [40] |
| Excess Revenues Over (Under) Expenditures | (\$4,699,131) | \$7,859,377 | (\$5,249,245) | \$5,631,875 | (\$3,858,158) | (\$2,668,448) | (\$2,798,765) | \$3,300,167 | [41] |
| OTHER FINANCING SOURCES | | | | | | | | | |
| Interfund Transfer In | \$773,583 | \$773,583 | \$773,583 | \$0 | \$473,583 | \$477,589 | \$473,583 | \$473,583 | [42] |
| Interfund Transfers (Out) | 3,347,326 | (2,600,875) | 2,733,813 | (63,056,282) | (\$2,733,813) | (2,840,240) | (2,733,813) | (3,271,965) | [43] |
| Other financing sources | 0 | 0 | 0 | 41,179 | 0 | 0 | 0 | 0 | [44] |
| Proceeds from long term debt | 0 | 285,405 | 0 | 0 | 0 | 0 | 0 | 0 | [45] |
| Proceeds from capital lease | 0 | 0 | 0 | 0 | 0 | 59,063 | 0 | 396,749 | [46] |
| Total Other Financing Sources | (\$2,573,743) | (\$1,541,887) | (\$1,960,230) | (\$3,015,103) | (\$2,260,230) | (\$2,303,588) | (\$2,260,230) | (\$2,401,633) | [47] |
| Net change in Fund Balances | (\$7,272,874) | \$6,317,490 | (\$7,209,475) | \$2,616,772 | (\$16,118,388) | (\$2,572,036) | (\$5,058,995) | \$898,534 | [48] |
| Fund Balances - Beginning | \$14,025,743 | \$18,229,371 | \$22,732,918 | \$24,546,861 | \$23,718,727 | \$26,853,675 | \$22,825,621 | \$24,281,639 | [49] |
| Fund Balances - Ending | \$6,752,869 | \$24,546,861 | \$15,523,443 | \$27,163,633 | \$7,600,339 | \$24,281,639 | \$17,766,626 | \$25,180,173 | [50] |

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Source: Jurupa Unified School District.

The following table sets forth the District's audited General Fund Total Governmental Funds balance sheet for Fiscal Years 2009-10 through 2013-14.

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Table 8
JURUPA UNIFIED SCHOOL DISTRICT
Summary of Total Governmental Funds Balance Sheet
Fiscal Years 2009-10 through 2013-14

| | Audited 2009-10 | Audited 2010-11 | Audited 2011-12 | Audited 2012-13 | Audited 2013-14 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash | \$30,686,417 | \$30,224,778 | \$21,144,134 | \$29,231,800 | \$34,499,885 |
| Investments | 4,970,343 | 7,982,847 | 11,365,931 | 4,764,719 | 5,621,252 |
| Accounts receivable | 29,110,730 | 33,715,504 | 42,491,028 | 27,280,313 | 20,385,028 |
| Due from other funds | 4,166,662 | 1,207,821 | 2,329,763 | 3,498,542 | 389,831 |
| Stores Inventories | 360,400 | 360,711 | 230,363 | 402,132 | 264,714 |
| Prepaid expenditures | 0 | 15,511 | 0 | 0 | 0 |
| Total Assets | <u>\$69,294,552</u> | <u>\$73,507,172</u> | <u>\$77,561,219</u> | <u>\$65,177,506</u> | <u>\$61,160,710</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$4,033,675 | \$4,967,138 | \$8,806,346 | \$4,529,298 | \$4,605,556 |
| TRANS Payable | 16,035,000 | 16,760,000 | 15,940,000 | 13,400,000 | 10,170,000 |
| Due To Other Funds ⁽¹⁾ | 4,361,452 | 1,407,821 | 2,329,763 | 3,498,542 | 389,831 |
| Current Loans | 0 | 0 | 0 | 0 | 0 |
| Deferred/Unearned Revenues | 6,399,882 | 4,338,372 | 1,003,212 | 694,401 | 186,744 |
| Total Liabilities | <u>\$30,830,009</u> | <u>\$27,473,331</u> | <u>\$28,079,321</u> | <u>\$22,122,241</u> | <u>\$15,352,131</u> |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Stores Inventories | \$360,400 | 0- | 0- | 0- | 0- |
| Revolving Cash | 5,000 | 0- | 0- | 0- | 0- |
| Legally-restricted-balance | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 6,834,637 | 0- | 0- | 0- | 0- |
| Categorical Programs | 4,609,327 | 0- | 0- | 0- | 0- |
| Nonspendable | 0- | \$381,221 | \$253,363 | \$407,132 | \$269,714 |
| Restricted | 0- | 24,206,914 | 28,956,864 | 24,776,553 | 27,149,085 |
| Assigned | 0- | 4,654,007 | 15,673,687 | 13,265,139 | 13,514,118 |
| Unassigned | 0- | 16,791,699 | 4,615,984 | 4,606,441 | 4,875,662 |
| Unreserved, reported in: | | | | | |
| General Fund | 13,404,802 | 0- | 0- | 0- | 0- |
| Special revenue funds | 2,554,173 | 0- | 0- | 0- | 0- |
| Capital projects funds | 10,696,204 | 0- | 0- | 0- | 0- |
| Total Fund Balances | <u>\$38,464,543</u> | <u>\$46,033,841</u> | <u>\$49,481,898</u> | <u>\$43,055,265</u> | <u>\$45,808,579</u> |
| Total Liabilities/Fund Balances | <u>\$69,294,552</u> | <u>\$73,507,172</u> | <u>\$77,561,219</u> | <u>\$65,177,506</u> | <u>\$61,160,710</u> |

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⁽¹⁾ The California Education Code permits school districts to temporarily transfer moneys held in any fund or account to another fund or account of the district for payment of obligations. The transfer is accounted for as temporary borrowing between funds or accounts. Amounts transferred must be repaid either in the same fiscal year or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year. The District has used and expects to use interfund borrowing each fiscal year for the foreseeable future to manage reductions in funding to education.

Source: Jurupa Unified School District Audited Financial Statements for Fiscal Years 2009-10 through 2013-14 from Jurupa Unified School District.

District Debt Structure

Long-Term Debt. As of June 30, 2014, the District had \$116,883,941 of long-term debt outstanding (not including debt of Mello-Roos community facilities districts (the "CFDs") within the District). The debt of the CFDs is payable from special taxes levied on the parcels within those districts, and the District's general obligation debt, including the District's Series 2002 Bonds (defined below) and the District's Series 2004 Bonds (defined below), is payable from *ad valorem* taxes levied on the parcels within the District, and not from general revenues of the District. The District leases equipment, portable classrooms and school buses pursuant to capital leases.

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A schedule of changes in long-term debt for the ~~year ended~~ Year ending June 30, 2014, is set forth in the table below.

**Table 9
JURUPA UNIFIED SCHOOL DISTRICT
Schedule of Changes in Long-Term Debt as June 30, 2014**

| | Balance as of July 1, 2013 | Additions | Deductions | Balance as of June 30, 2014 | Amount Due in One Year |
|-------------------------------|---|------------------|-------------------|--|---|
| General Obligation | | | | | |
| Bonds: | | | | | |
| Bond principal | \$ 49,037,972 | - | \$ 2,350,000 | \$ 46,687,972 | \$ 1,940,000 |
| Accreted interest component | 4,328,514 | \$ 556,586 | - | 4,885,100 | - |
| Unamortized issuance premium | <u>3,189,248</u> | - | <u>256,781</u> | <u>2,932,467</u> | <u>256,781</u> |
| Sub-Total Bonds | \$ 56,555,734 | \$ 556,586 | \$ 2,606,781 | \$ 54,505,539 | \$ 2,196,781 |
| Special Tax Bonds: | | | | | |
| CFD No. 1 Impr. Area 1 | \$ 845,000 | \$ - | \$ 195,000 | \$ 650,000 | \$ 205,000 |
| CFD No. 1 Impr. Area 2 | 1,370,000 | - | 320,000 | 1,050,000 | 330,000 |
| CFD No. 2 | 490,000 | - | 70,000 | 420,000 | 75,000 |
| CFD No. 3 | 1,490,000 | - | 45,000 | 1,445,000 | 50,000 |
| CFD No. 4 | <u>2,825,000</u> | - | <u>65,000</u> | <u>2,760,000</u> | <u>70,000</u> |
| Sub-Total CFD Bonds | \$ 7,020,000 | - | \$ 695,000 | \$ 6,325,000 | \$ 730,000 |
| Certificates of Participation | \$ 6,835,000 | - | \$ 410,000 | \$ 6,425,000 | \$ 430,000 |
| Site Facility Lease | 2,660,000 | - | 290,000 | 2,370,000 | 300,000 |
| Energy Efficiency | | | | | |
| Financing | 26,669,257 | 6,216,491 | 1,367,282 | 31,518,466 | 1,461,774 |
| Capital Leases | 394,697 | 396,749 | 150,237 | 641,209 | 163,217 |
| Compensated Absences | 1,956,421 | 68,794 | - | 2,025,215 | - |
| Redevelopment Agency | 1,800,000 | - | 200,000 | 1,600,000 | 200,000 |
| Early Retirement Incentives | 4,413,464 | - | 1,518,460 | 2,895,004 | 1,348,418 |
| Other Postemployment Benefits | <u>12,850,728</u> | <u>2,052,780</u> | - | <u>14,903,508</u> | - |
| TOTALS | \$ 121,155,301 | \$ 9,291,400 | \$ 7,237,760 | \$ 123,208,941 | \$ 6,830,190 |

Source: Jurupa Unified School District.

Repayment schedules for certain of the debts/obligations are contained in APPENDIX B — "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ~~ENDING~~ ENDING JUNE 30, 2014."

General Obligation Bonds. On November 6, 2001, the voters of the District approved the issuance of not to exceed \$58,000,000 of general obligation bonds. On May 1, 2002, the District issued its Series 2002 Bonds in the aggregate principal amount of \$30,797,972.05 (the "Series 2002 Bonds"). On April 14, 2004, the District issued its General Obligation Bonds, 2001 Election, Series 2004 bonds in the aggregate principal amount of \$27,200,000 (the "Series 2004 Bonds"). On November 2, 2011, the District issued its General Obligation Refunding Bonds, Series 2011 in the aggregate principal amount of \$20,295,000 to refund a portion of the District's outstanding General Obligation Bonds, Series 2002. On December 12, 2012, the District issued \$25,200,000 of General Obligation Refunding Bonds. The net proceeds of \$26,801,994 were used to refund all of the District's outstanding General Obligation Bonds, Series 2004.

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The annual debt service requirements on all of the District's outstanding general obligation bonded debt are payable from *ad valorem* taxes levied to pay such general obligation bonds.

Community Facilities District Debt. Set forth in the table below are the balances of outstanding bonds for the Community Facilities Districts as of ~~June 30, 2014~~ December 31, 2015.

Table 10
JURUPA UNIFIED SCHOOL DISTRICT
Balance of Outstanding Community Facilities Districts Bonds
as of December 31, 2014

| Community Facilities District | Original Issue | Balance as of December 31, 2014 |
|--------------------------------------|-----------------------|--|
| 1 IA1 | \$2,365,000 | \$445,000 |
| 1 IA2 | 3,825,000 | 720,000 |
| 2 | 1,220,000 | 345,000 |
| 3 | 1,730,000 | 1,395,000 |
| 4 | 3,170,000 | 2,690,000 |
| 6 | <u>2,100,000</u> | <u>2,100,000</u> |
| Total | \$14,410,000 | \$7,695,000 |

Source: Jurupa Unified School District.

2007 Loan from the Redevelopment Agency. In February 2007, the District and the Jurupa Redevelopment Agency (the "Redevelopment Agency") entered into a loan agreement, whereby the Redevelopment Agency made a \$5,000,000 interest free loan to the District to be used for renovation of a stadium complex at the Rubidoux High School site. The District has paid back approximately ~~\$\$[2,800,000/3,000,000]~~ of the loan. The agreement provides for the remainder of the amounts due to be paid in annual installment of \$200,000 per year ending in Fiscal Year 2021-22 payable from "incremental pass-through funds" receivable by the District from the ~~Agency, Redevelopment Agency (with the demise of redevelopment agencies as of February 1, 2012, such amounts are now receivable from the successor agency),~~ but that such installment amounts shall be reduced by so much as is necessary to be used by the District to adequately meet the District's obligations under the Facility Lease Agreement and that if such installment amounts are reduced, the loan repayment period shall be extended to allow for repayment of the full amount due. The term "incremental pass-through funds" includes ~~the Pass Through Payments certain pass-through payments payable pursuant to pass-through agreements,~~ as well as other pass-through funds received by the District. The loan agreement provides that the ~~Agency Redevelopment Agency (now the successor agency)~~ may accelerate and demand full repayment of the debt due if the District commits any material breach of the ~~Agreement agreement~~ and such breach is not cured in accordance with the Agreement. The District's obligations under the ~~loan~~ agreement are the

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annual installment payments and as indicated above, such annual amount will be reduced as necessary to allow the District to meet its obligations under the Facility-Lease Agreement.

~~**2011 Food Service Warehouse, General Warehouse and Professional Development Center Lease.**~~ In July 2011, the District entered into a lease relating to a food service warehouse, general warehouse and professional development center lease. The aggregate principal amount of the lease obligation is \$3,200,000. The term expires June 1, 2021, with annual rental payments of approximately \$400,000.

~~**2011 Energy Lease.**~~ On September 30, 2011, the District entered into a lease relating to energy efficiency equipment and improvements at most of the District's schools. The aggregate principal amount of the lease obligation is approximately \$27,000,000. The term is 15 years, with total annual rental payments of approximately \$2,000,000 beginning in 2012, increasing over time. It is estimated by the District that annual energy savings from the leased equipment will be greater than the annual rental payments due under the lease.

~~**Accumulated Unpaid Employee Vacation.**~~ The accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$2,025,215.

~~**Short-Term Debt; Tax and Revenue Anticipation Notes.**~~ In the past, the District has issued tax and revenue anticipation notes to supplement cash flow and has paid such tax and revenue anticipation notes in accordance with their terms. The District has no tax and revenue anticipation note outstanding at this time but may issue tax and revenue anticipation notes in the future.

~~**2007 Loan from the Redevelopment Agency.**~~ In February 2007, the District and the Jurupa Redevelopment Agency (the "Redevelopment Agency") entered into a loan agreement, whereby the Redevelopment Agency made a \$5,000,000 interest-free loan to the District to be used for renovation of a stadium complex at the Rubidoux High School site. The District has paid back approximately \$3,000,000 of the loan. The agreement provides for the remainder of the amounts due to be paid in annual installment of \$200,000 per year ending in Fiscal Year 2021-22 payable from "incremental pass-through funds" receivable by the District from the Redevelopment Agency (with the demise of redevelopment agencies as of February 1, 2012, such amounts are now receivable from the successor agency), but that such installment amounts shall be reduced by so much as is necessary to be used by the District to adequately meet the District's obligations under the Lease Agreement and that if such installment amounts are reduced, the loan repayment period shall be extended to allow for repayment of the full amount due. The term "incremental pass-through funds" includes certain pass-through payments payable pursuant to pass-through agreements, as well as other pass-through funds received by the District. The loan agreement provides that the Redevelopment Agency (now the successor agency) may accelerate and demand full repayment of the debt due if the District commits any material breach of the agreement and such breach is not cured in accordance with the Agreement. The District's obligations under the agreement are the annual installment payments and as indicated above, such annual amount will be reduced as necessary to allow the District to meet its obligations under the Lease Agreement.

~~**2011 Food Service Warehouse, General Warehouse and Professional Development Center Lease.**~~ In July 2011, the District entered into a lease relating to a food service warehouse, general warehouse and professional development center. The aggregate principal amount of the lease obligation is \$3,200,000. The term expires June 1, 2021, with annual lease payments of approximately \$400,000.

~~**Energy Lease.**~~ On September 30, 2011, the District entered into a lease relating to energy efficiency equipment and improvements at most of the District's schools. The aggregate principal amount of the lease obligation is approximately \$27,000,000, the term is 15 years, with annual lease payments of approximately \$2,000,000 beginning in 2012, increasing over time. It is estimated by the

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District that annual energy savings from the leased equipment will be greater than the annual lease payments due under the lease.

Accumulated Unpaid Employee Vacation. The accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$2,025,420.

Short-Term Debt, Tax and Revenue Anticipation Notes. In the past, the District has issued tax and revenue anticipation notes to supplement cash flow and has paid such tax and revenue anticipation notes in accordance with their terms. The District has no tax and revenue anticipation notes outstanding at this time but may issue tax and revenue anticipation notes in the future.

Direct and Overlapping Debt

For a description of direct and overlapping debt, see the Table in "TAX BASE FOR REPAYMENT OF BONDS – Direct and Overlapping Debt" in the body of the Official Statement.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS

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Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS – Security" in the body of the Official Statement.) Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 39, 98, 111, and 218, 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 and of 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.

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Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value" thereof, and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978, by two-thirds or more of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition as provided by Proposition 39. The tax for payment of the Bonds falls within the exception for bonds approved by a 55% vote.

Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975

assessment.” This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, including a general economic downturn, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in various other minor or technical ways.

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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency or successor agency claims on tax increment, if any, and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment of 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 is shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Inflationary Adjustment of Assessed Valuation

The assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004, a petition for review was filed with the California Supreme Court. The petition was denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full

cash value of property for property tax purposes.

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Taxation of State-Assessed Utility Property

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

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as aid under the State's school financing formula.

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIII B to the State Constitution ("Article XIII B"). Under Article XIII B, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain Fiscal Year 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any two consecutive years exceed the combined appropriations limits for those two years, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2013-14 Fiscal Year are equal to the allowable limit of \$115,439,789 and the District estimates an appropriations limit for the 2014-15 Fiscal Year of \$116,287,349. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit. In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIII B were modified by Proposition 111 in 1990 (see "Proposition 111" below).

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (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 current level of guaranteed funding pursuant to Proposition 98 is approximately 35% of the State general fund.

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budget in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes. (See " - EFFECT OF STATE BUDGET ON REVENUES" and " - SCHOOL DISTRICT FINANCIAL INFORMATION" above)

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in

population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is 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 new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, excluded are all appropriations for “qualified capital outlay projects” as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the then current cents per gallon level, 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.

d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 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) a certain percentage of State general fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, school districts will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, school districts 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 (the “third test”). If the third test is used in any year, the difference between the third test and the second test will become a “credit” to school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Article XIIC and Article XIID of the State Constitution; Proposition 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 (the "Proposition 218"), was approved by the California voters at the November 5, 1996, state-wide general election, and became effective on November 6, 1996. Proposition 218 added to the California Constitution Articles XIIC and XIID ("Article XIIC" and "Article XIID," respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. All references herein to Articles XIIC and XIID are references to the text as set forth in Proposition 218.

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Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

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Article XIIC also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The Bonds represent a contract between the District and the Owners secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Articles XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et. al., v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing

requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the school districts if such required legislative action is delayed, unless the payments are self-executing authorization or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "Proposition 39") to the California Constitution. Upon passage of Proposition 39, implementing legislation entitled "Strict Accountability in Local School Construction Bonds Act of 2000" (the "Strict Accountability in Local School Construction Bonds Act") became operative. Proposition 39 (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 of Proposition 39 may be changed only with another State-wide vote of the people. The statutory provisions of the Strict Accountability in Local School Construction Bonds Act, as amended, may be changed by a majority vote of both houses of the Legislature and approved by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition and implementing legislation are K-12 school districts, including the District, community college districts and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to Proposition 39, 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 buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. The Strict Accountability in Local School Construction Bonds Act approved in June 2000, as amended, places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than (i) \$60 (for a unified school district or school facilities improvement district formed by a unified school district), (ii) \$30 (for a high school or elementary school district), or (iii) \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are statutory provisions and are not part of the Proposition 39 changes to the California Constitution. The Strict Accountability in Local School Construction Bonds Act statutory provisions can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See APPENDIX A – INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98” and “ – Proposition 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.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Gardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court’s decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Jarvis v. Connell

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

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Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to reduce significantly the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (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-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses.

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Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. 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 amended 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.

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.

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State Cash Management Legislation

Since 2002, the State engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals were codified. In recent year, the State has paid down the deferrals. The District cannot predict whether the State will engage in the practice of deferring certain apportionments to Districts in the future.

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Applications of Constitutional and Statutory Provisions

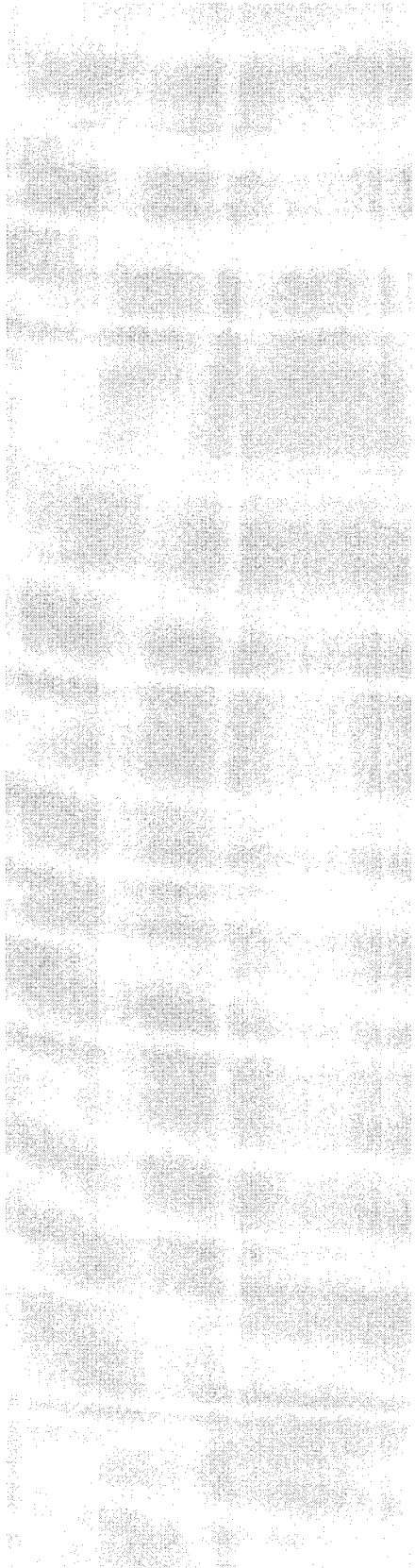
The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see APPENDIX A "INFORMATION RELATION TO THE DISTRICT'S OPERATIONS AND BUDGET – State Funding of School Districts; Restructuring of the K-12 Funding System."

Future Initiatives and Legislation

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 26, 30, 39, 98, 111, 218 and 1A were each adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process, Propositions 1A and 39 were each legislatively-referred constitutional amendments which were approved by the electorate, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. For example, during 2013, a proposal (2013-14 Assembly Bill 182) was introduced in the State Legislature which was enacted and placed limitations on the ability of School districts to issue capital appreciation bonds or convertible capital appreciation bonds commencing on and after January 1, 2014. The adoption of any such initiative or enactment of legislation

might place limitations on the ability of the State, the County, the District or local districts to increase revenues or to increase appropriations.

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APPENDIX B

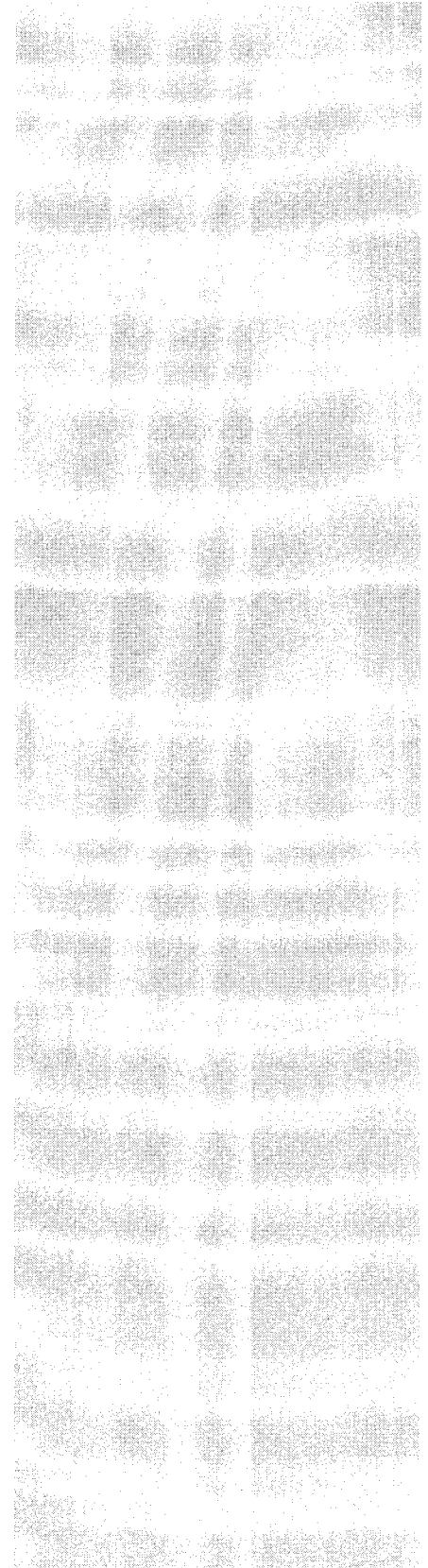
**AUDITED FINANCIAL STATEMENTS OF
THE JURUPA UNIFIED SCHOOL DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2014**

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF
THE JURUPA UNIFIED SCHOOL DISTRICT
FOR FISCAL YEAR 2013-14**



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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Nixon Peabody LLP, Los Angeles, California, Bond Counsel to the Jurupa Unified School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District or the Underwriter. No representation is made in this Official Statement 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 of this Official Statement, or that the information contained or incorporated by this Official Statement by reference is correct as of any time subsequent to its date. Further information may be obtained from the County Treasurer but such information is not incorporated herein by this reference.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of January 31, 2015, the portfolio assets comprising the PIF had a market value of \$5,536,152,467.50.

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

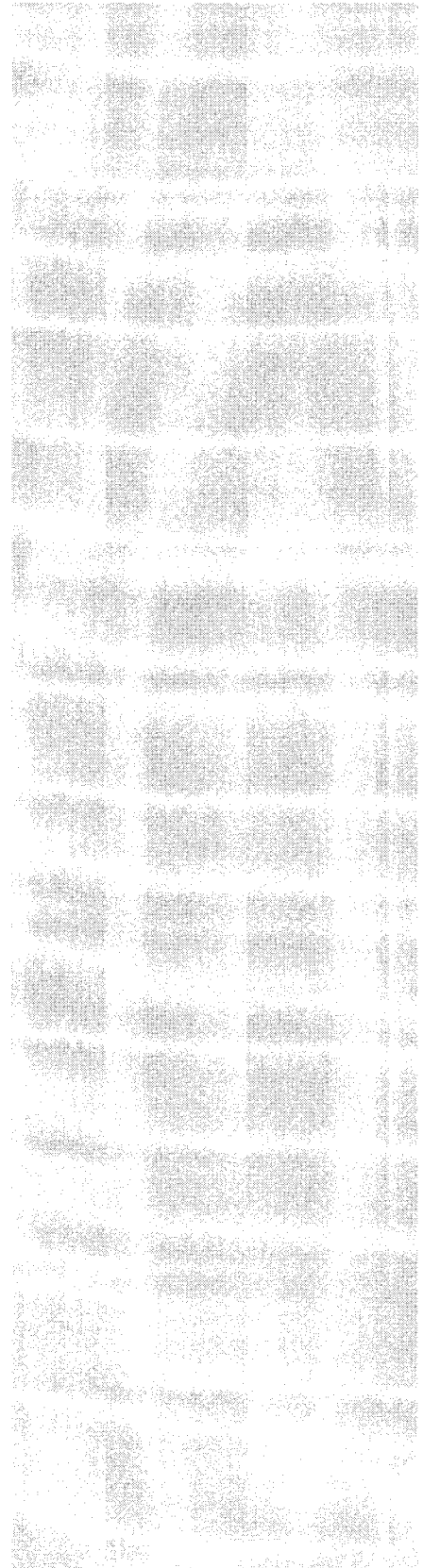
While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

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

The investments in the Treasurer's Pooled Investment Fund as of January 31, 2015, were as follows:

APPENDIX F

**COUNTY OF RIVERSIDE
OFFICE OF THE TREASURER TAX-COLLECTOR
STATEMENT OF INVESTMENT POLICY**



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APPENDIX G

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BOOK-ENTRY-ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 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-only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry-Only System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry-Only System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of and redemption premiums, if any, on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of or redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal and Maturity Amount of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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