

\$99,995,000*

**CORONA-NORCO UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2014 General Obligation Bonds, Series A**

\$49,500,000*

**CORONA-NORCO UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2015 General Obligation Refunding Bonds**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the (i) Corona-Norco Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Series A Bonds") and (ii) Corona-Norco Unified School District (Riverside County, California) 2015 General Obligation Refunding Bonds (the "Refunding Bonds," and, together with the Series A Bonds, the "Bonds").

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

General

The Corona-Norco Unified School District (the "District") consists of approximately 148 square miles in the southeastern portion of Riverside County (the "County") and provides K-12 educational services to the residents of the Corona, Norco, Eastvale and Jurupa Valley and adjacent unincorporated areas of the County. The District operates 31 elementary schools, 2 K-8 academy schools, 8 intermediate/middle schools, 5 comprehensive high schools, 1 middle college high school, 1 continuation school and 1 special education school. For fiscal year 2014-15, the District's projected enrollment is approximately 53,893 students, and taxable property within the District has an assessed valuation of \$29,585,090,755. The District is the ninth-largest by enrollment in the state of California.

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Dr. Michael H. Lin is currently the District's Superintendent.

For more information regarding the District generally, see "CORONA-NORCO UNIFIED SCHOOL DISTRICT," and for more information regarding the District's assessed valuation, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

Purpose of the Bonds

Series A Bonds. The proceeds from the sale of the Series A Bonds will be used by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and (ii) pay the costs of issuing the Series A Bonds.

* Preliminary, subject to change.

Refunding Bonds. The proceeds from the sale of the Refunding Bonds will be used by the District to (i) currently refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds, (ii) advance refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series A, and (iii) pay the costs associated with the issuance of the Refunding Bonds.

See "THE BONDS – Application and Investment of Bond" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

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

Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of interests in the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. 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 Resolutions described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

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

Current Interest Bonds and Capital Appreciation Bonds. The Series A Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds will bear interest on a periodic basis as further described herein. The Capital Appreciation Bonds will not bear interest on a periodic basis. The value at maturity of a Capital Appreciation Bond (the "Maturity Value") is equal to its Accreted Value (defined herein) upon the maturity thereof, such Accreted Value being composed of its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the Date of Delivery (defined

herein) and its respective maturity date. The Refunding Bonds will be issued solely as Current Interest Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount or Maturity Value, as applicable, or any integral multiples thereof.

Redemption.* The Bonds are subject to optional redemption prior to their stated maturity dates, as further described herein. The Bonds are further subject to mandatory sinking fund redemption as further described herein. See “THE BONDS– Redemption” herein.

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the “Date of Delivery”). Interest on the Series A Bonds issued as Current Interest Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1, commencing August 1, 2015 (each, a “Bond Payment Date”). Principal on the Series A Bonds issued as Current Interest Bonds is payable on August 1 of each year, as shown on the inside cover page hereof.

Series A Bonds issued as Capital Appreciation Bonds will accrete in value from their Denominational Amounts on the Date of Delivery to their respective Maturity Values, at the rates per annum (each, an “Accretion Rate”) set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2015. The Maturity Value of Capital Appreciation Bonds is payable only at maturity (unless earlier redeemed) according to the amounts set forth in the accreted values table as shown in APPENDIX F hereto.

Interest on the Refunding Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date. Principal on the Refunding Bonds is payable on August 1 of each year, as shown on the inside cover page hereof.

Payments of the principal and Accreted Value of, as applicable, and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. See also “APPENDIX D – Book-Entry Only System” herein.

Tax Matters

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

Offering and Delivery of the Bonds

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

* Preliminary, subject to change.

Bond Owner's Risks

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

Continuing Disclosure

The District has covenanted that it will comply with and carry out the provisions of that certain Continuing Disclosure Certificate relating to the Bonds. Pursuant thereto, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of listed events is summarized below under "LEGAL MATTERS – Continuing Disclosure" and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Piper Jaffray & Co., El Segundo, California, is acting as Financial Advisor to the District in connection with the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Piper Jaffray & Co. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter (defined herein) by _____. Causey Demgen & Moore P.C., Denver Colorado, will serve as the Verification Agent (defined herein) with respect to the Refunded Bonds.

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 Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860-1903, telephone: (951) 736-5020. The District may impose a charge for copying, mailing and handling.

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

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

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

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

THE BONDS

Authority for Issuance

Series A Bonds. The Series A Bonds are issued pursuant to (i) the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, as amended, (ii) a resolution adopted by the Board approved on May 5, 2015 (the "District Resolution"), and (iii) a resolution of the Board of Supervisors of the County approved on May 19, 2015 (the "County Resolution" and together with the District Resolution, the "New Money Resolutions"). The District received authorization at an election held on November 4, 2014 (the "Election"), by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue \$396,000,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). The Bonds are the first series of bonds issued under the 2014 Authorization. Following the issuance of the Bonds, \$296,005,000* of the 2014 Authorization will remain unissued.

* Preliminary, subject to change.

Refunding Bonds. The Refunding Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California and other applicable law (the "Refunding Act"), and pursuant to a resolution adopted by the Board on May 5, 2015 (the "Refunding Resolution" and, collectively with the New Money Resolutions, the "Resolutions").

Security and Sources of Payment

The Series A Bonds and the Refunding Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of (i) the principal and Accreted Value of and interest on the Series A Bonds when due and (ii) the principal and interest on the Refunding Bonds when due, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to established such a reserve, and the District can make no representation that the County will do so. Such taxes will be levied annually in addition to all other taxes during the period that the Series A Bonds and the Refunding Bonds, as the case may be, are outstanding in an amount sufficient to pay (i) the principal and Accreted Value of and interest on the Series A Bonds when due and (ii) the principal and interest on the Refunding Bonds when due. Such taxes, when collected, will be placed by the County in the Debt Service Funds (defined herein), which are segregated and held by the County and which is designated for the payment of the Series A Bonds and the Refunding Bonds, as the case may be, and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged moneys on deposit in the respective Debt Service Funds to the payment of the Series A Bonds and the Refunding Bonds. Although the County is obligated to levy an *ad valorem* property tax for the payment of the Series A Bonds and the Refunding Bonds, and will hold the Debt Service Funds, the Bonds are not a debt of the County.

The moneys in the Debt Service Funds, to the extent necessary to pay (i) the principal and Accreted Value of and interest on the Series A Bonds when due and (ii) the principal and interest on the Refunding Bonds when due, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the applicable Bonds.

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

General Provisions

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

Series A Bonds.

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

Capital Appreciation Bonds. Interest on each Series A Bond issued as a Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Date of Delivery to the date for which Accreted Value is calculated. The Accreted Value of a Capital Appreciation Bond is calculated by discounting, on a 30-day month, 360-day year basis, its Maturity Value on the basis of a constant rate (the "Accretion Rate") compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 and August 1.

The Capital Appreciation Bonds will not pay interest on a periodic basis. The Capital Appreciation Bonds accrete in value from their Date of Delivery at the Accretion Rates per annum set forth on the inside cover hereof, compounded semiannually on February 1 and August 1 of each year commencing on August 1, 2015. The Maturity Value of a Capital Appreciation Bond is equal to the Accreted Value thereof at its maturity date.

See also the maturity schedules on the inside cover page hereof, "—Annual Debt Service" and "APPENDIX F – ACCRETED VALUES TABLE" herein.

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

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

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Annual Debt Service

The following tables display the annual debt service requirements of the District for the Bonds (assuming no optional redemptions):

ELECTION OF 2014 GENERAL OBLIGATION BONDS, SERIES A

Year Ending Aug. 1	Current Interest Bonds		Capital Appreciation Bonds		Total Annual Debt Service Payment
	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	Annual Principal Payment ⁽²⁾	Annual Accreted Interest Payment ⁽²⁾	
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
Total					

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

2015 GENERAL OBLIGATION REFUNDING BONDS

Year Ending Aug. 1	Current Interest Bonds		Total Annual Debt Service Payment
	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
Total			

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

See “DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds” herein for a full table of the annual debt service requirements for the District’s outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

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

Building Fund. The purchase price received from the Underwriter from the sale of the Series A Bonds, to the extent of the principal amount thereof, will be deposited into the fund held by the County and designated as the "Corona-Norco Unified School District Election of 2014 General Obligation Bonds, Series Building Fund" (the "Building Fund"). The moneys deposited in the Building Fund will be applied only for the purposes approved by the voters of the District pursuant to the 2014 Authorization, including the repair, upgrading, acquisition, construction and equipping of certain District property and facilities. Any interest earnings on moneys held in the Building Fund will be retained therein.

Series A Debt Service Fund. The *ad valorem* property taxes levied by the County for the payment of the Series A Bonds, when collected, will be deposited into the fund designated as the "Corona-Norco Unified School District Election of 2014 General Obligation Bonds, Series A Debt Service Fund" (the "Series A Debt Service Fund"), which fund is held by the County for payment of principal of and interest on the Series A Bonds. Any accrued interest or premium received by the County on behalf of the District upon the sale of the Series A Bonds will be deposited into the Series A Debt Service Fund. Any interest earnings on moneys held in the Series A Debt Service Fund will be retained therein. Any excess proceeds of the Series A Bonds not needed for the authorized purposes for which the Series A Bonds are being issued shall be transferred to the Series A Debt Service Fund and applied to the payment of principal and Accreted Value of and interest on the Series A Bonds, as applicable. If, after all of the Series A Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Series A Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Series A Bonds, any such excess amounts will be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Series A Bond Proceeds. In accordance with the New Money Resolutions and subject to federal tax restrictions, moneys in the Series A Debt Service Fund and the Building Fund may be invested in the following: (i) lawful investment permitted by Sections 16429.1 and 53601 ("Section 53601") of the State Government Code; (ii) shares in a State common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code; (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Series A Bonds, (iv) the Local Agency Investments Fund of the State Treasurer, (v) the County's Investment Pool (defined herein), and (vi) State and Local Government Series Securities.

Refunding Bonds. The Refunding Bonds are being issued to (i) currently refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds, (ii) advance refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series A (together with the refunded 2005 General Obligation Refunding Bonds, the "Refunded Bonds"), and (iii) pay the costs associated with the issuance of the Refunding Bonds.

The Refunded Bonds consist of those maturities of 2005 General Obligation Refunding Bonds and the Election of 2006 General Obligation Bonds, Series A listed in the following tables.

REFUNDED BONDS*
Corona-Norco Unified School District
2005 General Obligation Refunding Bonds

<u>Maturities to be Refunded (August 1)</u>	<u>CUSIP</u>	<u>Principal Amount to be Refunded</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Par Amount)</u>
				9/1/2015	100%
				9/1/2015	100
				9/1/2015	100
				9/1/2015	100
				9/1/2015	100

REFUNDED BONDS*
Corona-Norco Unified School District
Election of 2006 General Obligation Bonds, Series A

<u>Maturities to be Refunded (August 1)</u>	<u>CUSIP</u>	<u>Principal Amount to be Refunded</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Par Amount)</u>
				8/1/2017	100%
				8/1/2017	100
				8/1/2017	100
				8/1/2017	100

A portion of the 2005 General Obligation Refunding Bonds and the Election of 2006 General Obligation Bonds, Series A, as listed in the following tables, are not being refunded from proceeds of the Bonds.

UNREFUNDED BONDS*
Corona-Norco Unified School District
2005 General Obligation Refunding Bonds

<u>Maturity Date (August 1)</u>	<u>CUSIP</u>	<u>Original Par Amount</u>	<u>Interest Rate</u>
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UNREFUNDED BONDS*
Corona-Norco Unified School District
Election of 2006 General Obligation Bonds, Series A

<u>Maturity Date (August 1)</u>	<u>CUSIP</u>	<u>Original Par Amount</u>	<u>Interest Rate</u>
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* Preliminary, subject to change

Escrow Fund. The net proceeds from the sale of the Refunding Bonds shall be paid to U.S. Bank National Association, acting as escrow agent (the “Escrow Agent”), to the credit of the “Corona-Norco Unified School District 2015 General Obligation Refunding Bonds Escrow Fund” (the “Escrow Fund”). Pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and the Escrow Agent, an amount deposited in the Escrow Fund will be used to purchase certain Federal Securities, as defined in the Refunding Resolution, the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal, redemption premium (if any), and interest due on the Refunded Bonds on the first optional redemption dates therefor.

The following chart describes the initial investments of the proceeds of the Refunding Bonds:

ESCROW FUND*
Federal Securities

<u>Type of Security</u>	<u>Par Amount</u>	<u>Maturity Date</u>	<u>Yield</u>
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The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption prices of the Refunded Bonds will be verified by Causey Demgen & Moore P.C., as Verification Agent. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will be terminated.

Refunding Debt Service Fund. Any surplus moneys in the Escrow Fund, and the *ad valorem* property taxes levied by the County for the payment of the Refunding Bonds, when collected, shall be kept separate and apart in a fund held by the County and designated as the “Corona-Norco Unified School District 2015 General Obligation Refunding Bonds Debt Service Fund” (the “Refunding Debt Service Fund,” and together with the Series A Debt Service Fund, the “Debt Service Funds”) and used only for payment of principal of and interest on the Refunding Bonds. Any excess proceeds of the Refunding Bonds not needed for the authorized purposes for which the Refunding Bonds are being issued shall be transferred to the Refunding Debt Service Fund and applied to the payment of principal of and interest on the Refunding Bonds. If, after payment in full of the Refunding Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District as provided and permitted by law.

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

Redemption

Optional Redemption.* The Series A Bonds issued as Current Interest Bonds maturing on August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Series A Bonds issued as Current Interest Bonds maturing on August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Current Interest Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Series A Bonds issued as Capital Appreciation Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their stated maturity dates. The Series A Bonds issued as Capital Appreciation Bonds maturing on and after August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the Accreted Value of such Capital Appreciation Bonds as of the date fixed for redemption, without premium.

The Refunding Bonds maturing on August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Refunding Bonds maturing on August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of such Refunding Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

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

Year Ending <u>August 1</u>	Principal <u>To Be Redeemed</u>
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⁽¹⁾ Maturity.

* Preliminary, subject to change.

The Series A Bonds issued as Capital Appreciation Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the Accreted Value thereof as of the date fixed for redemption, without premium. The Accreted Values of such Capital Appreciation Bonds to be so redeemed and the dates therefor and the final payment date are as indicated in the following table:

Year Ending <u>August 1</u>	Accreted Value <u>To Be Redeemed</u>
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(1) Maturity.

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

Year Ending <u>August 1</u>	Principal <u>To Be Redeemed</u>
--------------------------------	------------------------------------

(1) Maturity.

In the event that a portion of any of the term bonds shown above are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount or Accreted Value, as applicable, in respect of the portion of such term bonds optionally redeemed.

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

Redemption Notice. When redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g)

the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

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

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

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

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the County Resolution or the Refunding Resolution, as applicable, will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (as applicable, principal, Accreted Value, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance,” and if a Redemption Notice thereof will have been given substantially as

described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in “— Defeasance,” such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay (i) the principal and Accreted Value of and interest on the Series A Bonds to be redeemed and (ii) the principal and interest on the Refunding Bonds to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the applicable Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

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

Book-Entry Only System

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

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

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

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

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

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

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

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

Redemption proceeds and distribution on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distribution to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

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

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

The (i) principal and Accreted Value of, premium and interest on the Series A Bonds upon the redemption thereof and (ii) the principal, premium and interest on the Refunding Bonds upon the

redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of such Bonds at the principal trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Series A Bond may be exchanged for Series A Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Series A Bonds means the principal amount or Maturity Value thereof, as applicable), and any Refunding Bond may be exchanged for Refunding Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Refunding Bonds means the principal amount thereof) upon presentation and surrender at the principal trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

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

Defeasance

All or any portion of the outstanding maturities of the Series A Bonds or the Refunding Bonds, separately, may be defeased prior to maturity in the following ways:

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

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

then, notwithstanding that any Series A Bonds or Refunding Bonds, as the case may be, shall not have been surrendered for payment, all obligations of the District with respect to all outstanding all such Series A Bonds or Refunding Bonds, as the case may be, shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such Bonds not so surrendered and paid all sums due with respect thereto.

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

ESTIMATED SOURCES AND USES OF FUNDS

Series A Bonds

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

Sources of Funds

Principal Amount of Series A Bonds
Original Issue Premium

Total Sources

Uses of Funds

Costs of Issuance⁽¹⁾
Deposit to Building Fund
Deposit to Series A Debt Service Fund

Total Uses

⁽¹⁾ Reflects all costs of issuing the Series A Bonds, including the underwriting discount, legal and financial advisory fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent.

Refunding Bonds

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

Sources of Funds

Principal Amount of Refunding Bonds
Original Issue Premium

Total Sources

Uses of Funds

Costs of Issuance⁽¹⁾
Deposit to Escrow Fund

Total Uses

⁽¹⁾ Reflects all costs of issuing the Refunding Bonds, including the underwriting discount, legal and financial advisory fees, fees of the Escrow Agent, Verification Agent fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent.

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 property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

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

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

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

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

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

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

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts 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.

Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2014-15 of \$29,585,090,755. Shown in the following table are the assessed valuations for the District for the period 2008-09 through 2014-15.

**ASSESSED VALUATIONS
Fiscal Years 2008-09 through 2014-15
Corona-Norco Unified School District**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$28,052,045,194	\$5,829,451	\$1,451,766,019	\$29,509,640,664
2009-10	24,985,967,696	5,829,451	1,378,815,229	26,370,612,376
2010-11	24,778,827,795	5,829,451	1,318,729,825	26,103,387,071
2011-12	24,912,194,194	5,829,451	1,309,517,610	26,227,541,255
2012-13	25,074,881,056	3,083,672	1,221,647,785	26,299,612,513
2013-14	26,175,204,713	3,083,672	1,172,388,030	27,350,676,415
2014-15	28,436,690,125	3,083,672	1,145,316,958	29,585,090,755

Source: California Municipal Statistics, Inc.

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

Drought. On January 17, 2014, the Governor declared a State-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; California's river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016.

The District cannot make any representation regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

Assessed Valuation by Land Use

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

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

	2014-15 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural/Rural	\$190,595,793	0.67%	322	0.41%
Commercial/Industrial	5,263,933,969	18.51	2,886	3.72
Vacant Commercial/Industrial	273,263,533	0.96	906	1.17
Government/Social/Institutional	11,145,249	0.04	222	0.29
Vacant Other/Unclassified Vacant	55,654,932	0.20	1,743	2.25
Miscellaneous	<u>12,187,391</u>	<u>0.04</u>	<u>26</u>	<u>0.03</u>
Subtotal Non-Residential	\$5,806,780,867	20.42%	6,105	7.86%
Residential:				
Single Family Residence	\$20,190,037,626	71.00%	58,436	75.27%
Condominium/Townhouse	1,317,667,949	4.63	5,815	7.49
Mobile Home	114,409,695	0.40	2,023	2.61
2+ Residential Units	820,686,431	2.89	1,086	1.40
Timeshare	844,335	0.00	1,576	2.03
Vacant Residential	<u>186,263,222</u>	<u>0.66</u>	<u>2,597</u>	<u>3.35</u>
Subtotal Residential	\$22,629,909,258	79.58%	71,533	92.14%
Total	\$28,436,690,125	100.00%	77,638	100.00%

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

Assessed Valuation by Jurisdiction

The following shows the distribution of the assessed valuation of taxable property within the District by jurisdiction for fiscal year 2014-15:

**ASSESSED VALUATION BY JURISDICTION⁽¹⁾
Fiscal Year 2014-15
Corona-Norco Unified School District**

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Corona	\$16,414,099,811	55.48%	\$17,298,729,318	94.89%
City of Eastvale	6,546,991,773	22.13	\$7,591,778,770	86.24%
City of Jurupa Valley	344,850,390	1.17	\$7,373,758,322	4.68%
City of Norco	2,746,821,065	9.28	\$2,747,010,883	99.99%
City of Riverside	402,293	0.00	\$24,614,768,393	0.00%
Unincorporated Riverside County	<u>3,531,925,423</u>	<u>11.94</u>	\$34,589,271,495	10.21%
Total District	\$29,585,090,755	100.00%		

Total Riverside County \$29,585,090,755 100.00% \$225,770,065,829 13.10%

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

Assessed Valuation of Single Family Homes

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

**ASSESSED VALUATION OF SINGLE FAMILY HOMES
 Fiscal Year 2014-15
 Corona-Norco Unified School District**

	No. of <u>Parcels</u>	2014-15 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	58,436	\$20,190,037,626	\$345,507	\$346,000

<u>2014-15 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	863	1.477%	1.477%	\$31,622,442	0.157%	0.157%
50,000 - 99,999	1,902	3.255	4.732	140,172,415	0.694	0.851
100,000 - 149,999	2,072	3.546	8.277	265,902,308	1.317	2.168
150,000 - 199,999	3,978	6.807	15.085	706,124,001	3.497	5.665
200,000 - 249,999	6,396	10.945	26.030	1,444,355,553	7.154	12.819
250,000 - 299,999	7,020	12.013	38.043	1,926,532,590	9.542	22.361
300,000 - 349,999	7,662	13.112	51.155	2,497,311,191	12.369	34.730
350,000 - 399,999	8,487	14.524	65.679	3,176,567,502	15.733	50.463
400,000 - 449,999	6,943	11.881	77.560	2,943,411,086	14.579	65.042
450,000 - 499,999	5,992	10.254	87.814	2,832,841,810	14.031	79.073
500,000 - 549,999	3,717	6.361	94.175	1,937,376,114	9.596	88.669
550,000 - 599,999	1,643	2.812	96.986	937,838,513	4.645	93.314
600,000 - 649,999	623	1.066	98.053	385,847,241	1.911	95.225
650,000 - 699,999	322	0.551	98.604	216,489,627	1.072	96.297
700,000 - 749,999	208	0.356	98.960	150,304,938	0.744	97.041
750,000 - 799,999	150	0.257	99.216	116,090,520	0.575	97.616
800,000 - 849,999	109	0.187	99.403	89,550,008	0.444	98.060
850,000 - 899,999	74	0.127	99.529	64,726,417	0.321	98.381
900,000 - 949,999	77	0.132	99.661	71,281,430	0.353	98.734
950,000 - 999,999	45	0.077	99.738	43,881,518	0.217	98.951
1,000,000 and greater	<u>153</u>	<u>0.262</u>	100.000	<u>211,810,402</u>	<u>1.049</u>	100.000
Total	58,436	100.000%		\$20,190,037,626	100.000%	

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

Appeals and Adjustments of Assessed Valuations

Under Proposition 8, property owners may apply for a temporary reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as recent residential home sales prices or the occurrence of a calamity) cause the current market value of the real property to be worth less than the current assessed, factored, Article XIII A base year value of such property, as of the annual property tax lien date, January 1. Any reduction in the assessment ultimately granted as a result of such owner appeal applies to the year for which application is made and during which the written application was filed.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a two percent maximum) until such assessed value again equals the Article XIII A base year value for such property as-adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership or new construction while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A base year value for such property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" herein.

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

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

Tax Levies, Collections and Delinquencies

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County's taxing boundaries. The following table shows secured *ad valorem* taxes for the payment of bonded indebtedness of the District, and amounts delinquent as of June 30, for fiscal years 2009-10 through 2013-14:

SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2009-10 through 2013-14 Corona-Norco Unified School District

<u>Tax Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2009-10	\$9,905,568.95	\$413,533.40	4.17%
2010-11	11,040,097.47	297,424.60	2.69
2011-12	16,227,981.42	268,344.57	1.65
2012-13	16,181,225.82	220,165.83	1.36
2013-14	17,702,133.10	188,735.57	1.07

⁽¹⁾ General obligation bond debt service levy only.

Source: *California Municipal Statistics, Inc.*

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of the County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Tax Rates

The following table summarizes the total *ad valorem* tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the period from fiscal year 2010-11 through fiscal year 2014-15.

SUMMARY OF *AD VALOREM* TAX RATES Fiscal Years 2010-11 through 2014-15 Corona-Norco Unified School District

TRA 4-003 – 2014-15 Assessed Valuation: \$3,214,940,591

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General Tax Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Corona-Norco Unified School District	.04524	.06614	.06543	.06844	.06473
Riverside City Community College District	.01499	.01700	.01702	.01768	.01791
Metropolitan Water District	<u>.00370</u>	<u>.00370</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
TOTAL	1.06393%	1.08684%	1.08595%	1.08962%	1.08614%

⁽¹⁾ The 2014-15 assessed valuation of TRA 4-003 is \$3,214,940,591, which equals approximately 10.9% of the District's total assessed valuation for that year.

Source: *California Municipal Statistics, Inc.*

Principal Taxpayers

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

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2014-15 Corona-Norco Unified School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Kaiser Foundation Health Plan Inc.	Medical Building	\$195,767,649 ⁽²⁾	0.69%
2.	Watston Laboratories Inc.	Industrial	186,988,189	0.66
3.	Castle & Cooke Corona Crossings I & II Inc.	Commercial	173,968,839	0.61
4.	Rexco Magnolia	Office Building	107,345,836	0.38
5.	Waterstone Apartments NF	Apartments	91,500,000	0.32
6.	DR Horton Los Angeles Holding Co.	Residential Development	79,621,017	0.28
7.	Price REIT Inc.	Industrial	79,537,375	0.28
8.	Dart Container Corp. of Calif.	Industrial	70,486,242	0.25
9.	Artisan at Main Street Metro	Apartments	63,059,997	0.22
10.	KB Home Coastal Inc.	Residential Development	54,734,992	0.19
11.	Vernola Marketplace	Commercial	53,527,010	0.19
12.	Dos Lagos CRN	Office Building	48,881,236	0.17
13.	UHS Corona Inc.	Office Building	48,525,458	0.17
14.	Minnesota Mining & Mfg. Co.	Industrial	44,859,523	0.16
15.	KSL Corona	Hotel	44,602,879	0.16
16.	Avalon Calif. Value VI	Apartments	43,200,949	0.15
17.	WNG Corona 312	Apartments	42,477,188	0.15
18.	Tishman Speyer Archstone Smith	Apartments	40,049,325	0.14
19.	Dairy Farmers of America Inc.	Industrial	36,101,411	0.13
20.	Dos Lagos Office	Office Building	<u>34,627,118</u>	<u>0.12</u>
			\$1,539,862,233	5.42%

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$28,436,690,125

⁽²⁾ Net Taxable Value.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated April 1, 2015, for debt issued as of April 1, 2015. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no 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.

**STATEMENT OF DIRECT AND OVERLAPPING DEBT
Corona-Norco Unified School District**

2014-15 Assessed Valuation: \$29,585,090,755

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/15</u>
Metropolitan Water District	1.276%	\$1,408,959
Riverside City Community College District	35.378	80,342,491
Corona-Norco Unified School District	100.000	252,194,584⁽¹⁾⁽²⁾
Corona-Norco Unified School District Community Facilities Districts	100.000	144,234,015
City of Riverside	0.002	268
City of Corona Community Facilities Districts	100.000	95,555,000
City of Corona 1915 Act Bonds	100.000	3,530,000
City of Norco Community Facilities Districts	100.000	42,050,404
Special District Community Facilities Districts	100.000	355,089,803
Riverside County Community Facilities Districts	100.000	<u>15,835,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$990,240,524
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	13.104%	\$86,112,519
Riverside County Pension Obligation Bonds	13.104	41,994,389
Riverside County Board of Education Certificates of Participation	13.104	240,458
Corona-Norco Unified School District General Fund Obligations	100.000	27,880,000
City of Corona General Fund Obligations	94.886	47,538,178
City of Riverside General Fund and Pension Obligation Bonds	0.002	<u>7,060</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$203,772,604
Less: Riverside County supported obligations		<u>1,105,749</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$202,666,855
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		 \$227,831,362
 GROSS COMBINED TOTAL DEBT		 \$1,421,844,490 ⁽³⁾
NET COMBINED TOTAL DEBT		\$1,420,738,741

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$252,194,584)	0.85%
Total Direct and Overlapping Tax and Assessment Debt	3.35%
Combined Direct Debt (\$280,074,584)	0.95%
Gross Combined Total Debt	4.81%
Net Combined Total Debt.....	4.80%

Ratios to Redevelopment Incremental Valuation (\$4,774,328,840):

Total Overlapping Tax Increment Debt	4.77%
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⁽¹⁾ Excludes the Bonds.

⁽²⁾ Excludes accreted interest of capital appreciation bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Accreted Value of and interest on the Bond, as applicable, are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof. (See "THE BONDS – Security and Sources of Payment" herein) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

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

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

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

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

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

Article XIII B of the California Constitution

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

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

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

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

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

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC 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 XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

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

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on February 5, 2008, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Jarvis vs. Connell

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

Proposition 30

On November 6, 2012, voters 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, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019. 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 \$608,000 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 “Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the

10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 2, 22, 26, 30, 39, and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the Maturity Value of the Bonds (or Accreted Value if redeemed prior to maturity) is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof.

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

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

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

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

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

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

- *State Pensions* – The 2014-15 Budget includes a plan to reduce the \$74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in \$276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State and K-14 school district contributions based on changing conditions, and (ii) reduce K-14 school district contributions if they are no longer necessary. For additional information, see “CORONA-NORCO UNIFIED SCHOOL DISTRICT – District Retirement Systems” herein.
- *Local Control Funding Formula* – An increase of \$4.7 billion in Proposition 98 funding to continue the transition to the LCFF. This includes a 0.85% COLA to prior-year Base Grants, and results in per-pupil funding that is 12% higher than the prior-year. This increase is projected to close the remaining funding implementation gap between prior year funding levels and the LCFF target levels by approximately 29%. As a result, the adjusted 2014-15 Base Grants are as follows: (i) \$7,011 for grades K-3, (ii) \$7,116 for grades 4-6, (iii) \$7,328 for grades 7-8, and (iv) \$8,491 for grades 9-12. The LAO estimates that the 2014-15 funding levels are approximately 80% of the full implementation cost. The 2014-15 Budget also provides \$26 million towards implementing the LCFF for county offices of education, sufficient to fully fund their LCFF funding target in fiscal year 2014-15. See also “– State Funding of Education – Local Control Funding Formula” herein.
- *School Reserves* – Senate Bill 858 (Stats. 2014, Chapter 32) (“SB 858”), trailer legislation to the 2014-15 Budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 would require school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein. Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.
- *Categorical Programs* – The 2014-15 Budget provides \$33 million to fund a 0.85% COLA for select K-12 categorical programs, including foster youth services, American Indian American Indian Childhood Education, special education and child nutrition.
- *K-12 Deferrals* – The 2014-15 Budget provides \$5.2 billion to reduce outstanding apportionment deferrals, including \$4.7 billion for school districts. Under the budget plan, \$992 million in deferrals, including \$897 million for school districts, are expected to remain outstanding at the end of fiscal year 2014-15. The 2014-15 Budget also provides for a trigger mechanism whereby potentially all outstanding deferrals would be repaid if the Proposition 98 minimum guarantee increases as a result of additional funding sources. Effectively, the 2014-15 Budget earmarks the first \$992 million of additional State spending allocable to fiscal years 2013-14 and 2014-15 to the pay down of deferrals.

- *Student Assessments* – The 2014-15 Budget provides \$54 million to continue the implementation of new student assessments.
- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- *K-12 Mandates* – The 2014-15 Budget provides \$400 million, including \$287 million of Proposition 98 funding and \$113 million from unspent prior-year funds, to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis. The 2014-15 Budget also adds six new K-12 reimbursable mandates to the existing block grant program. The 2014-15 Budget does not increase funding for the block grant program as the added costs are expected to be minimal.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires a five-year period, starting in fiscal year 2013-14, that a portion of these additional revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 Budget provides \$279 million of Proposition 98 funding for qualifying school district energy programs and \$28 million for a revolving loan program for K-14 school districts.
- *Quality Education Investment Act* – The 2014-15 Budget authorizes a final payment of \$410 million to retire the State’s obligation under the Quality Education Investment Act (Stats. 2006, Chapter 751) (“QEIA”), which required the State to provide additional annual school district and community college district funding payments. Of this amount, \$316 million is for continued funding of the QEIA program (including \$268 million for school districts) and \$94 million is to pay down a separate State obligation related to school facility repairs.
- *Emergency Repair Program* – \$189 million of funding towards the Emergency Repair Program (“ERP”), which was created in 2004 to fund critical repair projects at certain low-performing schools. Funds will be allocated to school districts that have unfunded claims for emergency repairs from the most recent ERP award cycle, which occurred in 2008.
- *School Infrastructure* – The 2014-15 Budget shifts existing bonding authority under the Career Technical Education (\$4.1 million) and High Performance Initiative (\$32.9 million) school facility programs to the New Construction and Modernization facility programs. Bonding authority will be split equally between new construction and modernization.
- *K-12 High-Speed Internet Access* – An increase of \$27 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.
- *Career Technical Education Pathways Program* – An increase of \$250 million in one-time Proposition 98 funding to support competitive grants for participating K-12 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

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

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

The Proposed Budget assumes, for fiscal year 2014-15, total general fund revenues and transfers of \$108 billion and authorizes total expenditures of \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of \$2.1 billion, composed of a balance of \$452 million in the State's traditional budget reserve and balance of \$1.6 billion in the BSA. For fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of \$113.4 billion and authorizes expenditures of \$113.3 billion. The State is projected to end the 2015-16 fiscal year with a \$3.4 billion general fund surplus, composed of a \$534 million balance in the budget reserve and \$2.8 billion in the BSA. The balance in the BSA includes a \$1.2 billion deposit mandated by the provisions of Proposition 2. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein. This \$1.2 billion deposit to the BSA reflects half of the total Annual BSA Transfer required by Proposition 2, and the Proposed Budget allocates the other \$1.2 billion towards paying down special fund loans and certain Proposition 98 "settle up" obligations created by previous budgetary legislation that understated the minimum funding guarantee. Under the Proposed Budget, outstanding Proposition 98 settle up obligations at the end of fiscal year 2015-16 total \$1.3 billion. The Proposed Budget provides no deposit into the PSSSA, and the Governor does not project that such a deposit will need to be made at any point during the current budgetary forecast period (running through fiscal year 2018-19).

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

For fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at \$65.7 billion, including \$47 billion from the State general fund, and reflects an increase of \$2.6 billion (or 4%) from the revised level for fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only \$371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor's assumption that the "triple flip" legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset. For purposes of Proposition 98, fiscal year 2015-16 is a "Test 2" year, and changes in the minimum guarantee are driven primarily by an increase in per-capita personal income. Under the Proposed Budget, total per-student Proposition 98 funding increases to \$9,571, an increase of \$640 (or 7.2%) from the prior year.

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

- *Maintenance Factor* – The Proposed Budget authorizes a maintenance factor payment of \$725 million owed to school districts and community college districts, leaving an outstanding maintenance factor of \$1.9 billion.
- *Local Control Funding Formula* – An additional \$4 billion to school districts and charter schools to continue the implementation of the LCFF, reflecting a year-to-year increase of

9%. This amount is estimated to close approximately 32% of the remaining funding gap between fiscal year 2014-15 funding levels and the LCFF target rates. Under the Proposed Budget, the LAO estimates that the LCFF target rates will be approximately 85% funded. The Proposed Budget also provides \$109,000 of Proposition 98 funds to support a cost of living adjustment for county offices of education at their target LCFF funding levels.

- *Apportionment Deferrals* –\$897 million to eliminate all outstanding K-12 apportionment deferrals.
- *Categorical Programs* – An increase of \$71 million to support a 1.58% COLA for selected categorical programs outside of the LCFF.
- *Adult Education* – \$500 million in ongoing funding for adult education. This proposal would build on prior budgetary legislation which mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to for delivery of adult education services. Under the Governor’s proposal, the ongoing funding would support programs in elementary and secondary basic skills, citizenship and English as a second language for immigrants, educational programs for disabled adults, short-term career technical education (CTE) and apprenticeship programs. For fiscal year 2015-16 only, these funds would replace, on a dollar-for-dollar basis, LCFF funds currently allocated to school district-run adult education programs in these five areas.
- *Career Technical Education* – \$250 million in funding in each of the next three fiscal years to fund a competitive grant initiative the supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. Participating school districts, county offices of education and charter schools would be required to match grant contributions dollar-for-dollar, collect accountability data and commit to providing ongoing support to CTE programs after the expiration of grant funding. Applicants would also be expected to partner with local postsecondary institutions, labor organizations and businesses in applying for the grant funds. The Proposed Budget also includes \$48 million to extend the Career Technical Education Pathways Grant Program, created as part of the 2013-14 State budgetary legislation. The primary purpose of the program is to improve linkages between CTE programs and schools and community colleges, as well as between K-14 education and local businesses. The California Department of Education and the California Community Colleges Chancellor’s Office jointly administer the program and allocate funding through an interagency agreement.
- *Technology Infrastructure* – \$100 million in one-time funding to support additional broadband infrastructure improvement grants, and builds on prior funding provided in the 2014-15 Budget for such grants.
- *Emergency Repair Program* – \$273 million in one-time funding for the State ERP. See also “—2014-15 Budget” herein. This additional payment is expected to fully retire the State’s ERP obligation.
- *Education Mandates* –\$1.1 billion to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis.

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

May Revision. On May 14, 2015, the Governor released his May revision (the “May Revision”) to the Proposed Budget. The following information is drawn from the Department of Finance’s summary of Proposed Budget.

The May Revision continues to project the expansion of the State and national economies, as well as an overall increase of \$6.7 billion to State general fund revenues attributable primarily to higher capital gains tax collections. The May Revision allocates only a small portion of these additional revenues to new spending areas, and instead allocates the bulk towards education funding, an additional deposit to the BSA of \$633 million, and additional payments towards outstanding State special fund loans.

After accounting for transfers to the BSA, the May Revision projects year-end general fund revenues for fiscal year 2014-15 to be \$111.3 billion, approximately \$3.3 billion higher than projected in the Proposed Budget. State general fund expenditures are also expected to increase by approximately \$2.8 billion, for a year-end total of \$114.5 billion. The May Revision projects that the State will end fiscal year 2014-15 with a \$3 billion surplus, composed of a \$1.4 billion balance in the general fund reserve and a \$1.6 billion balance in the BSA. For fiscal year 2015-16, the May Revision projects State general fund revenues of \$115 billion, approximately \$1.7 billion higher than previously projected. The May Revision would authorize State general fund expenditures of \$115.3 billion, an increase of \$2 billion from that in the Proposed Budget. The State is projected to end fiscal year 2015-16 with a \$4.6 billion general fund surplus, composed of a \$1.1 billion balance in the general fund reserve and \$3.5 billion in the BSA.

The May Revision includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum funding guarantee is set at \$58.9 billion, an increase of \$241 million above the revised level included the Proposed Budget. The fiscal year 2014-15 minimum funding guarantee is set at \$66.3 billion, an increase of \$3.1 billion from the revised level included in the Proposed Budget.

For fiscal year 2015-16, the May Revision revises the Proposition 98 minimum funding guarantee at \$68.4 billion, an increase of approximately \$2.7 billion from the level included in the Proposed Budget. Significant adjustments made to education funding in the May Revision include the following:

- *LCFF* – An additional \$2.1 billion in funding above that provided in the Proposed Budget to continue implementation of the LCFF, for a total of \$6.1 billion. The May Revision estimates that this would close approximately 53% of the remaining funding gap.
- *Career Technical Education* – An additional \$150 million in fiscal year 2015-16 for the competitive grant initiative the supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. The May Revision also provides additional funding of \$50 million for this initiative in fiscal year 2016-17, and reduces the amount provided in the Proposed Budget for fiscal year 2017-18 by a like amount.
- *Quality Education Investment Act* – An increase of \$4.6 million in one-time Proposition 98 funding to provide half of the final apportionment of QEIA funding for selected school districts in fiscal year 2015-16 that do not qualify for concentration grant funding under the LCFF. The funding is intended to ease the transition for those districts with concentrations of EL/LI students that will no longer receive funds under the QEIA.
- *Local Property Tax Adjustments* – Total Proposition 98 funding levels for school districts, special education local plan areas and county offices of education in fiscal years 2014-15 and 2015-16 would reflect reductions to State support equal to \$123.3 million and \$224 million, respectively, reflecting higher offsetting property tax collections.
- *Proposition 39* – A decrease in the amount of funds available under Proposition 39 to K-12 school districts by \$6.7 million, reflecting reduced State corporate tax revenue estimates.

- *Categorical Programs* – A reduction of \$18.4 million in Proposition 98 funding for selected categorical programs, based on updated ADA growth estimates. The May Revision also decreases Proposition 98 funding by \$22.1 million for selected categorical programs, to reflect a change in the COLA for such programs from 1.58% (as provided in the Proposed Budget) to 1.02%.
- *K-12 Education Mandates* – An increase of \$1.2 million in Proposition 98 funding to reflect greater school district participation in the education mandates block grant program.
- *Special Education* – The May Revision proposes \$60.1 million of Proposition 98 funding (composed of \$50.1 million of ongoing funding and \$10 million of one-time funds) to implement selected programmatic changes in special education services. The changes are intended to implement recommendations issued by a State taskforce formed in 2013, as well as to make targeted investments designed to improve the delivery of services for disabled students.

For additional information regarding the May Revision, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

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

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the Maturity Value of the Bonds (or Accreted Value if redeemed prior to maturity) is payable from the general fund of the District. The Maturity Value of the Bonds (or Accreted Value if redeemed prior to maturity) is payable solely from an ad valorem property tax required to be levied by the County in the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

State Funding of Education

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

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

funded based on uniform system of funding grants assigned to certain grade spans. See “—Local Control Funding Formula” herein.

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

The primary component of AB 97 was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

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

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 and 2013-14, and projected for fiscal year 2014-15.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2014-15
Corona-Norco Unified School District

Fiscal Year	Average Daily Attendance ⁽¹⁾					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽²⁾
2012-13	15,109.96	11,460.05	8,069.02	16,600.85	51,239.88	53,437	46.20%
2013-14	15,088.72	11,748.03	8,096.01	16,854.94	51,787.70	53,782	45.63
2014-15 ⁽³⁾	15,039.51	11,850.56	7,961.21	16,911.60	51,762.88	53,739	47.77

⁽¹⁾ Except for fiscal year 2014-15, reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. Includes K-8, home and hospital, and special education students, but excludes charter school students. An attendance month is each four week period of instruction beginning with the first day of school for any school district.

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

⁽³⁾ Projected.

Source: Corona-Norco Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants are multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the

State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

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

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

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

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student

outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal Government and Other Local Revenues. The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district’s budget can come from local sources other than property taxes, including but not limited to interest income, leases and rentals, interagency services, developer fees, foundations, donations and sales of property.

The California lottery is another source of funding for school districts, providing approximately 1% to 3% of a school district’s budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

Foundation. The Corona-Norco Schools Educational Foundation (the “Foundation”) is an independent 501(c)(3) nonprofit corporation, which has supported the District since 2008. Under Governmental Accounting Standards Board (“GASB”) rules, the Foundation is not a component unit of the District for financial reporting purposes. The following table shows a five-year history of regular contributions made by the Foundation to the District, and a projection for fiscal year 2014-15:

**FOUNDATION CONTRIBUTIONS
Corona-Norco Unified School District
Fiscal Years 2009-10 through 2014-15**

<u>Fiscal Year</u>	<u>Contribution</u>
2009-10	--
2010-11	\$35,604
2011-12	43,754
2012-13	70,067
2013-14	25,605
2014-15 ⁽¹⁾	28,815

⁽¹⁾ Projected.

Source: Corona-Norco Unified School District.

Redevelopment Revenue and Dissolution of Redevelopment Agencies. The District has previously received pass-through tax increment revenue (“Redevelopment Revenue”) from certain redevelopment agencies (the “Redevelopment Agencies”) located in the City of Corona, City of Eastvale, City of Jurupa Valley and unincorporated areas of Riverside County. The following table shows Redevelopment Revenue collections for the District for the five year period between 2010-11 and 2014-15.

REDEVELOPMENT REVENUE COLLECTIONS
Corona-Norco Unified School District
Fiscal Years 2010-11 through 2014-15

<u>Fiscal Year</u>	<u>Total</u>
2010-11	\$3,468,929.57
2011-12	3,582,582.18
2012-13	24,320,843.73 ⁽¹⁾
2013-14	9,393,935.76
2014-15 ⁽²⁾	7,500,000.00

⁽¹⁾ The District received a significant amount of Redevelopment Revenue in fiscal year 2012-2013 as a result of the dissolution of the Redevelopment Agencies. Redevelopment Revenue amounts are expected to decline each subsequent fiscal year as the assets of the Redevelopment Agencies are dissolved, and to level out at approximately \$3,200,000 per year after such dissolution is complete.

⁽²⁾ Budgeted.

Source: Corona-Norco Unified School District.

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

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued

by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

ABx1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved using current assessed values...and pursuant to statutory formulas and contractual agreements with other taxing agencies."

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

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

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of \$3.36 per square foot, while commercial development is assessed a fee of \$0.51 per square foot. The following table summarizes the revenues received by the District from developer fees over the last five years, with an estimate for fiscal year 2014-15.

**DEVELOPER FEES
Corona-Norco Unified School District
Fiscal Years 2010-11 through 2014-15**

<u>Year</u>	<u>Developer Fees Collections</u>
2009-10	\$1,818,972.22
2010-11	1,045,261.14
2011-12	3,209,047.53
2012-13	1,118,763.47
2013-14	2,789,741.39
2014-15 ⁽¹⁾	1,700,000.00

⁽¹⁾ Projected.

Source: Corona-Norco Unified School District.

Comparative 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 June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the Deputy Superintendent, Business Services of the District, Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860-1903. Excerpts from the District's audited financial statements for the year ended June 30, 2014 are included for reference in APPENDIX B hereto. The District did not request, and the auditor did not provide, any review of such audited financial statements in connection with their inclusion in this Official Statement.

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

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2009-10 through 2013-14⁽¹⁾
Corona-Norco Unified School District

	Fiscal Year <u>2009-10</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>
REVENUES					
LCFF/Revenue Limit Sources ⁽²⁾	\$252,613,080	\$267,427,794	\$270,104,499	\$271,867,085	\$325,288,190
Federal Sources	29,395,722	40,607,849	23,012,397	19,808,656	22,229,802
Other State Sources	88,529,268	83,482,353	85,490,963	87,718,836	65,064,417
Other Local Sources	<u>2,487,919</u>	<u>3,092,543</u>	<u>3,464,083</u>	<u>2,945,399</u>	<u>5,703,756</u>
Total Revenues	373,025,989	394,610,539	382,071,942	382,339,976	418,286,165
EXPENDITURES					
Current					
Instruction	257,145,009	247,324,020	260,072,964	259,399,143	276,093,865
Instruction-Related Activities:					
Supervision of Instruction	10,704,422	11,003,755	11,365,659	11,509,087	12,714,967
Instructional Library, Media and Technology	2,574,233	1,744,315	1,920,543	1,835,843	2,203,345
School Site Administration	27,416,089	26,384,560	28,377,998	28,532,606	29,362,656
Pupil Services:					
Home-to-school Transportation	11,376,952	9,088,873	9,200,275	8,709,923	9,036,645
Food Services	--	--	105,137	81,076	--
All other Pupil Services	21,232,406	19,840,628	21,012,701	22,267,820	24,546,372
Administration:					
Data Processing	1,910,728	2,534,923	3,267,578	3,481,170	4,255,640
All Other Administration	11,235,711	11,409,245	12,396,697	12,517,302	13,729,895
Plant Services	34,834,131	33,481,673	34,695,736	35,037,298	36,798,832
Facility Acquisition and Construction	168,100	71,935	75,581	49,808	576,187
Ancillary Services	1,921,008	1,798,538	1,843,261	1,903,496	2,749,710
Other Outgo	263,903	260,082	281,088	281,088	120,068
Enterprise Services	--	--	--	2,448	1,761
Debt Service					
Principal	--	--	11,044	27,097	143,269
Interest and Other	--	--	<u>927</u>	<u>2,201</u>	<u>5,984</u>
Total Expenditures	380,782,692	364,942,547	384,627,189	385,637,406	412,339,196
Excess (Deficiency) of Revenues Over Expenditures	(7,756,703)	29,667,992	(2,555,247)	(3,297,430)	5,946,969
Other Financing Sources (Uses)					
Transfers In	1,000,000	--	--	--	--
Transfers Out	--	(56,651)	(67,745)	(85,129)	(171,869)
Other Sources/Uses	<u>(83,442)</u>	--	<u>89,444</u>	--	<u>449,563</u>
Net Financing Sources (Uses)	916,558	(56,651)	21,699	(85,129)	277,694
NET CHANGE IN FUND BALANCES	(6,840,145)	29,611,341	(2,533,548)	(3,382,559)	6,224,663
Fund Balance – Beginning	<u>36,529,115</u>	<u>29,688,970</u>	<u>59,300,311</u>	<u>56,766,763</u>	<u>53,384,204</u>
Fund Balance – Ending	<u>\$29,688,970</u>	<u>\$59,300,311</u>	<u>\$56,766,763</u>	<u>\$53,384,204</u>	<u>\$59,608,867</u>

⁽¹⁾ From the District's Audited Financial Statements for fiscal years 2008-09 through 2013-14.

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

Source: Corona-Norco Unified School District.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The 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.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's

recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District has never had a budget disapproved by the County office of education. The District has never submitted an interim financial report with a qualified or negative certification.

General Fund Budget. The following tables show (i) the District's general fund adopted budgets for the years ended June 30, 2012 through June 30, 2014 and audited general fund results for the fiscal years ending June 30, 2012 through June 30, 2014, and (ii) the District's general fund second interim general fund budget for the fiscal year ended June 30, 2015, respectively.

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GENERAL FUND BUDGETING
Fiscal Years 2011-12 through 2014-15
Corona-Norco Unified School District

	Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year
	Adopted Budget ⁽¹⁾	Audited Actuals ⁽¹⁾	Adopted Budget ⁽¹⁾	Audited Actuals ⁽¹⁾	Adopted Budget ⁽¹⁾	Audited Actuals ⁽¹⁾	2014-15
							Second Interim Budget ⁽²⁾
Revenues							
LCHF/Revenue limit sources ⁽³⁾	\$270,321,200	\$270,104,499	\$271,681,740	\$271,867,085	\$273,160,834	\$325,288,190	\$360,936,641
Federal revenues	21,045,737	23,012,397	23,959,757	19,808,656	22,381,582	22,229,802	22,532,893
Other state	70,407,763	85,490,963	77,224,461	87,718,836	85,321,712	65,064,417	47,230,467
Other local	2,357,797	3,464,083	2,507,129	2,945,399	1,974,154	5,703,756	3,141,441
Total Revenues	364,132,497	382,071,942	375,373,087	382,339,976	382,838,232	418,286,165	433,841,443
Expenditures							
Current:							
Certificated salaries	212,246,435	214,105,117	218,144,913	217,261,343	214,167,122	226,810,479	249,788,027
Classified salaries	47,961,941	47,489,370	48,610,525	47,352,091	49,417,760	50,895,551	63,355,859
Employee benefits	60,666,990	72,899,688	61,167,323	71,224,658	57,037,923	72,852,905	64,466,640
Books and supplies	10,074,140	11,194,174	19,067,402	10,624,130	23,327,689	16,110,025	22,110,347
Services and other operating expenditures	34,983,339	38,863,481	40,516,260	39,139,788	38,152,992	44,694,437	49,081,120
Other outgo	(296,757)	(275,209)	(334,987)	(227,185)	(387,078)	(543,401)	(665,861)
Capital outlay	243,025	338,597	356,104	233,283	195,483	1,369,947	210,830
Debt Service:							
Principal	--	11,044	25,822	27,097	--	143,269	148,515
Interest	--	927	2,911	2,201	--	5,984	--
Total Expenditures	365,879,113	384,627,189	387,556,273	385,637,406	381,911,891	412,339,196	448,495,477
Excess (deficiency) of revenues over (under) expenditures	(1,746,616)	(2,555,247)	(12,183,186)	(3,297,430)	926,391	5,946,969	(14,654,034)
Other financing sources/(uses)							
Transfers in	--	--	6,009,038	--	--	--	--
Other Sources	--	89,444	--	--	--	449,563	--
Transfers out	(53,007)	(67,745)	(577,780)	(85,129)	(87,655)	(171,869)	(197,609)
Total other financing sources (uses)	(53,007)	21,699	5,431,258	(85,129)	(87,655)	277,694	(197,609)
Net Change in fund balance	(1,799,623)	(2,533,548)	(6,751,928)	(3,382,559)	838,736	6,224,663	(14,851,643)
Fund balances, beginning	59,300,311	59,300,311	56,766,763	56,766,763	53,384,204	53,384,204	59,608,867
Fund balances, ending	\$57,500,688	\$56,766,763	\$50,014,835	\$53,384,204	\$54,220,940	\$59,608,867	\$44,757,224

⁽¹⁾ From the District's audited financial statements for each fiscal year.

⁽²⁾ As approved by the Board on March 3, 2015.

⁽³⁾ Prior to the Fiscal Year 2013-14 First Interim Financial Report, this category was coded as "Revenue Limit." From the Fiscal Year 2013-14 First Interim Financial Report through the Fiscal Year 2013-14 Second Interim Financial Report, this category was coded as "LCHF/Revenue Limit Sources." Beginning with the Fiscal Year 2014-15 Adopted Budget, the category is coded as "LCHF."
Source: Corona-Norco Unified School District.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

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

Introduction

The District consists of approximately 148 square miles in the southeastern portion of Riverside County and provides K-12 educational services to the residents of the Corona, Norco, Eastvale and Jurupa Valley and adjacent unincorporated areas of the County. The District operates 31 elementary schools, 2 K-8 academy schools, 8 intermediate/middle schools, 5 comprehensive high schools, 1 middle college high school, 1 continuation school and 1 special education school. For fiscal year 2014-15, the District's projected enrollment is approximately 53,893 students, and taxable property within the District has an assessed valuation of \$29,585,090,755. The District is the ninth-largest by enrollment in the state of California

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Corona-Norco Unified School District, Attention: Deputy Superintendent, Business Services, Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860-1903, telephone: (951) 736-5020.

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions.

Current members of the Board of Education, together with their offices and the dates their term expires, are listed below:

BOARD OF EDUCATION Corona-Norco Unified School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jose W. Lalas, Ph.D.	President	November 2016
Cathy L. Sciortino	Vice President	November 2016
Bill Newberry	Clerk	November 2018
Mary Ybarra	Member	November 2016
John Zickefoose	Member	November 2018

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board of Education and supervising of the District's other personnel. Brief biographies of the Superintendent, the Assistant Superintendent, Business Services, and the Assistant Superintendent, Facilities follow:

Michael H. Lin, Ed.D., Superintendent. Dr. Michael Lin was appointed Superintendent of the District effective July 1, 2012, and has previously served as the District's Assistant Superintendent, Human Resources from July 1, 2008 through June 30, 2012. Dr. Lin has ten years of experience in Human Resources as a director/administrative director, both of certificated and classified personnel. Additionally, Dr. Lin has served in public education since 1991 as teacher, coach, student activities director, and assistant principal in the areas of guidance, curriculum and instruction. Dr. Lin has a B.S. in aerospace engineering from California Polytechnic State University, an M.S. in Educational Administration from California State University, Fullerton and a Doctorate in Institutional Management from Pepperdine University

Sherry Mata, Deputy Superintendent, Business Services. Ms. Sherry Mata was appointed Assistant Superintendent, Business Services of the District on July 1, 2008 and promoted to Deputy Superintendent, Business Services on July 1, 2013. She previously served as the District's Administrator Director, Director and as its Coordinator of Business Services. Ms. Mata joined the District's Accounting division in 1987, becoming an administrator of Business in 1991. Ms. Mata holds a B.S. in Business Administration from Redlands University and an M.B.A. from the University of Phoenix. Ms. Mata has been involved with the development and preparation of the District's budget for more than 10 years.

Ted E. Rozzi, Assistant Superintendent, Facilities. Mr. Ted Rozzi was appointed as the District's Assistant Superintendent of Facilities in 2001. Mr. Rozzi previously acted as Facilities Director and Administrative Director for the District from 1992 to 2001. He earned an M.B.A. in Finance in 1988 from California State University, San Bernardino.

Average Daily Attendance and Enrollment

The following table reflects the ADA and enrollment for the District for the last six years and an estimate for 2014-15:

**AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Corona-Norco Unified School District
Fiscal Years 2008-09 through 2014-15**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Enrollment</u> ⁽¹⁾
2008-09	50,003	52,138
2009-10	50,643	52,051
2010-11	50,845	53,154
2011-12	51,441	53,467
2012-13	51,633	53,437
2013-14	51,788	53,782
2014-15 ⁽²⁾	51,763	53,739

⁽¹⁾ Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and 2014-15 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude independent charter school, preschool and adult transitional students.

⁽²⁾ Projected.

Source: Corona-Norco Unified School District.

Labor Relations

As of May 1, 2015, the District employed 2,603 full-time certificated employees and 2,329 classified employees. In addition, the District employs approximately ___ part-time faculty and staff. District employees, except management and some part-time employees, are represented by two employee bargaining units, as noted below:

**EMPLOYEE BARGAINING UNITS
Corona-Norco Unified School District**

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
California School Employees Association		June 30, 2018
Corona-Norco Teachers Association		June 30, 2018

Source: Corona-Norco Unified School District.

District Retirement Systems

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

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

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

MEMBER CONTRIBUTION RATES STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.15%	8.150%
July 1, 2015	9.20	8.560
July 1, 2016	10.25	9.205

Source: AB 1469.

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

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

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

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contributions to STRS were \$17,666,256 for fiscal year 2011-12, \$17,584,500 for fiscal year 2012-13, and \$19,033,620 for fiscal year 2013-14. The District has estimated its STRS contributions to be \$21,976,632 in fiscal year 2014-15.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the

common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2014-15. See “— California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS were \$7,690,025 for fiscal year 2011-12, \$7,970,135 for fiscal year 2012-13, and \$8,707,016 for fiscal year 2013-14. The District has estimated its PERS contributions to be \$7,166,665 in fiscal year 2014-15.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2013-14

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾⁽³⁾</u>	<u>Value of Trust Assets (AVA)⁽⁴⁾</u>	<u>Unfunded Liability (AVA)⁽⁴⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽⁴⁾</u>	<u>Unfunded Liability (AVA)⁽⁴⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14 ⁽⁵⁾	65,600	56,838	8,761	-- ⁽⁶⁾	-- ⁽⁶⁾

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets.

(3) Excludes assets allocated to the SBPA reserve.

(4) Reflects actuarial value of assets.

(5) On April 14, 2015, the PERS Finance & Administration Committee approved the K-14 school district contribution rate for fiscal year 2015-16 and released certain actuarial information to be incorporated into the June 30, 2014 actuarial valuation to be released in summer 2015.

(6) Figures not provided.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2014, the future revenue from contributions and appropriations for the STRS Defined Benefit Program is projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board of Administration (the "PERS Board") voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses, a five-year increase of public agency contribution rates,

including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The PERS Board has delayed the implementation of the new actuarial policies until fiscal year 2015-16 for the State, K-14 school districts and all other public agencies.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

Early Retirement Incentive Program. During the 2009-2010 and the 2010-11 fiscal years, the District adopted a supplemental retirement plan (the "SERP"), whereby 278 eligible certificated non-management and certificated/classified management employees each received an annuity to supplement retirement benefits paid from their respective retirement systems. The annuities shall be paid over a five-year period and were purchased from Pacific Life Insurance Company. As of June 30, 2014, the District's obligations under the SERP totaled \$6,900,832.

For further information about the District's retirement systems, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS – Notes to Financial Statements, Notes 10 and 15" herein.

Other Post-Employment Benefits

Benefits Plan. The District provides post-employment health care benefits in amounts up to \$3,800 annually for certificated retirees and \$4,850 annually for classified retirees (such benefits, in aggregate, the "OPEB") to eligible retirees and their spouses based on agreements entered into with the District's employee bargaining units. Under such agreements, (i) District employees hired prior to July 1, 2007 who retire from the District on or after attaining the age of 50, with at least 10 years of service and (ii) District employees hired on or after July 1, 2007 who retire from the District on or after attaining the age of 55, with at least 10 years of service are qualified to receive OPEB benefits. As of June 30, 2014, participants to the OPEB plan included 199 retirees and their beneficiaries currently receiving benefits, and 2,692 active employees were eligible for OPEB benefits in future periods.

Funding Policy. The District recognizes expenses for the OPEB on a pay-as-you-go basis to cover the District's contribution towards premiums for current retirees. During fiscal year 2013-14, the District contributed \$1,341,485 towards the OPEB. For fiscal year 2014-15, the District currently projects \$7,166,665 as its contribution towards the OPEB. The contributions detailed above include the funding of the OPEB for current retirees receiving benefits and an implicit subsidy in premium rates calculated in accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 45"). Under GASB 45, the District is required to recognize an implicit rate subsidy because retirees and current employees in the District's health insurance plan are insured together as a group, since it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if the current retirees were insured separately.

Accrued Liability. The District has implemented GASB 45, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the OPEB. The most recent of these studies determined that the actual accrued liability ("AAL" with respect to the OPEB, as of an April 1, 2014 valuation date, was \$24,567,683, and the unfunded actuarial accrued liability ("UAAL") with respect to the OPEB, as of an April 1, 2014 valuation date, was \$15,038,504. The Study also concluded that the annual required contribution ("ARC") was \$2,744,386 for fiscal year 2013-14. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the AAL, in accordance with the GASB Statements Nos. 43 and 45.

As of June 30, 2014, the District recognized a net long-term balance sheet liability of \$7,606,008 with respect to the OPEB (the "Net OPEB Obligation"), based on the District's contributions towards the ARC during fiscal year 2013-14, as adjusted for interest on the prior year's Net OPEB Obligation and any adjustments to the current ARC. See "CORONA-NORCO UNIFIED SCHOOL DISTRICT – District Debt Structure – Long-Term Debt" and "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS – Notes 10 and 13" herein.

The District's annual required contribution for the year ended June 30, 2014, was \$2,744,386, and contributions made by the District during the year were \$1,341,485. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$294,868 and (\$299,507), respectively, which resulted in an increase to the net OPEB obligation of \$1,398,262. As of June 30, 2014, the net OPEB obligation was \$7,606,008.

Risk Management and Joint Powers Authority

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District participated in Southern California Regional Liability Excess Fund joint powers authority ("SCR") for property and liability insurance coverage. The District made a payment of \$823,178 to SCR for such coverage. The District also purchased excess liability insurance for its liability and property coverage from Safety National Insurance, a commercial carrier. The District's employee health benefits were covered by a commercial insurance policy.

[CONFIRM Settled claims resulting from risks have not exceeded the District's insurance coverage therefor in any of fiscal years 2011-12, 2012-13, or 2013-14. There was not a significant reduction in any of these coverages between fiscal year 2012-13 and fiscal year 2013-14. The District believes its insurance coverages are adequate, customary and comparable with such insurance maintained by similarly situated school districts.] The relationship between the District and the JPA is such that none of the JPA is not a component unit of the District for financial reporting purposes.

See also "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS – Notes to Financial Statements, Notes 14 and 17" herein.

District Debt Structure

Short-Term Debt. [CONFIRM: The District currently has no outstanding short-term debt.]

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2014 is shown below:

	Balance as of <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
General Obligation Bonds ⁽¹⁾	\$306,370,423	\$8,638,693	(\$8,295,000)	\$306,714,116
Premium on Issuance ⁽¹⁾	16,610,783	--	(761,515)	15,849,268
2010 Refunding COPs, Series A ⁽²⁾	28,975,000	--	(1,095,000)	27,880,000
Premium on Issuance ⁽²⁾	804,982	--	(49,285)	755,697
Public Financing Authority Bonds ⁽²⁾	89,865,000	--	(3,700,000)	86,165,000
Capital Leases ⁽³⁾	51,303	449,563	(143,269)	357,597
Claims Liability ⁽⁴⁾	13,931,000	2,389,050	(1,633,050)	14,687,000
SERP ⁽³⁾	9,792,138	--	(2,891,306)	6,900,832
OPEB ⁽³⁾⁽⁶⁾	6,207,746	2,739,747	(1,341,485)	7,606,008
Accumulated Vacation - Net ⁽⁵⁾	<u>4,821,478</u>	<u>934,231</u>	<u>--</u>	<u>5,755,709</u>
Total	<u>\$477,429,853</u>	<u>\$15,151,284</u>	<u>(\$19,909,910)</u>	<u>\$472,671,227</u>

⁽¹⁾ Payments for the General Obligation Bonds are made from their respective debt service and redemption funds.

⁽²⁾ Payments for the 2010 Refunding COPs, Series A and the Public Financing Authority Bonds are made from the District's Debt Service Fund for Blended Component Units.

⁽³⁾ Payments for the Capital Leases, SERP, and OPEB are made from the District's General Fund.

⁽⁴⁾ Payments for the Claims Liability are made from the District's Internal Service Fund. Obligation is associated with workers' compensation claims and based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other factors.

⁽⁵⁾ Payments for the Accumulated Vacation are generally made from the fund for which the related employee worked.

⁽⁶⁾ Reflects the District's contributions towards its actuarially-determined ARC during fiscal year 2013-14. See "– Other Post-Employment Benefits" herein.

Source: Corona-Norco Unified School District.

General Obligation Bonds. On April 14, 1998, the voters of the District approved the issuance of not-to-exceed \$65,000,000 of general obligation bonds (the "1998 Authorization"). On September 10, 1998, the District issued its first series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligations Bonds, Series A (the "1998 Series A Bonds") in the aggregate principal amount of \$17,000,000. On July 1, 2000, the District issued its second series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligations Bonds, Series B (the "1998 Series B Bonds") in the aggregate principal amount of \$14,885,534. On December 1, 2001, the District issued its third series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligation Bonds, Series C (the "1998 Series C Bonds") in the aggregate principal amount of \$23,000,139. On December 12, 2002, the District issued its fourth and final series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligation Bonds, Series D (the "1998 Series D Bonds") in the aggregate principal amount of \$10,113,949. On March 14, 2005, the District issued its 2005 General Obligation Refunding Bonds in the aggregate principal amount of \$13,340,000. The net proceeds from the issuance of the 2005 Refunding Bonds were used to advance refund the then-outstanding 1998 Series A Bonds in full and to advance refund a portion of the then-outstanding 1998 Series C Bonds.

On November 7, 2006, the voters of the District approved the issuance of not-to-exceed \$250,000,000 of general obligation bonds (the "2006 Authorization"). On June 14, 2007, the District issued its first series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series A (the "2006 Series A Bonds") in the aggregate principal amount of \$75,000,000. On February 4, 2009, the District issued its second series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series B (the "2006 Series B Bonds") in the aggregate principal amount of \$53,429,200. On December 1, 2009, the District issued its third series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series C (the "2006 Series C Bonds") in the aggregate principal amount of \$67,997,922. On December 1, 2009, the District also issued its fourth series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series D (the "2006 Series D Bonds") in the aggregate principal amount of \$32,000,000. On November 26, 2011, the District issued its fifth and final series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series E (the "2006 Series E Bonds") in the aggregate principal amount of \$21,568,291.

The District received authorization at the Election held on November 4, 2014, by the affirmative vote of at least 55% of the votes cast by eligible voters within the District, to issue \$396,000,000 maximum principal amount of general obligation bonds (the "2014 Authorization"). The Bonds represent the first series of bonds issued pursuant to the 2014 Authorization. After the issuance of the Bonds, \$296,005,000* of the 2014 Authorization will remain unissued.

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* Preliminary, subject to change.

GENERAL OBLIGATION BONDED INDEBTEDNESS – ANNUAL DEBT SERVICE REQUIREMENTS
Corona-Norco Unified School District

Year Ending	1998 Series B Bonds ⁽¹⁾	1998 Series C Bonds ⁽¹⁾	1998 Series D Bonds ⁽¹⁾	2005 Refunding Bonds ⁽¹⁾⁽⁶⁾	2006 Series A Bonds ⁽²⁾⁽⁶⁾	2006 Series B Bonds ⁽²⁾	2006 Series C Bonds ⁽²⁾⁽³⁾	2006 Series D Bonds ⁽²⁾⁽⁴⁾	2006 Series E Bonds ⁽²⁾⁽⁵⁾	Series A Bonds ⁽²⁾	Refunding Bonds ⁽²⁾	Total Annual Debt Service
2015	\$1,505,000	--	\$660,000	\$2,672,308	\$4,827,950	\$3,166,806	\$3,337,275	\$2,349,760	\$1,545,900			
2016	1,595,000	\$2,195,000	690,000	555,908	4,832,450	3,288,806	3,832,275	2,349,760	1,605,200			
2017	1,695,000	2,320,000	715,000	510,308	4,831,450	3,453,181	5,732,275	2,349,760	222,050			
2018	1,735,000	2,390,000	740,000	595,908	4,829,950	3,610,056	6,271,765	2,349,760	312,050			
2019	1,790,000	2,470,000	765,000	662,508	4,832,700	3,781,056	6,826,765	2,349,760	369,350			
2020	1,865,000	2,575,000	795,000	690,026	4,829,200	3,952,306	7,411,765	2,349,760	434,850			
2021	1,955,000	2,695,000	830,000	695,036	4,829,450	4,137,306	7,781,765	2,349,760	743,250			
2022	2,050,000	2,815,000	870,000	703,474	4,827,950	4,327,306	7,411,765	2,349,760	1,825,440			
2023	2,320,000	3,090,000	940,000	360,094	4,829,450	4,527,306	7,166,765	2,349,760	2,812,940			
2024	2,620,000	3,390,000	1,055,000	--	4,831,250	4,732,306	6,606,765	2,349,760	4,152,353			
2025	1,400,000	4,655,000	1,255,000	--	4,832,750	4,952,306	6,036,765	2,349,760	5,539,865			
2026	--	6,080,000	1,555,000	--	4,831,000	5,182,306	5,436,765	2,349,760	6,993,680			
2027	--	--	8,085,000	--	4,830,750	5,422,306	3,491,765	2,349,760	6,881,050			
2028	--	--	--	--	4,831,500	5,667,306	7,591,765	2,349,760	--			
2029	--	--	--	--	4,832,750	5,937,306	7,412,565	2,349,760	--			
2030	--	--	--	--	4,829,000	6,212,044	6,132,519	2,349,760	--			
2031	--	--	--	--	4,830,000	6,501,994	5,965,018	2,349,760	--			
2032	--	--	--	--	--	11,423,994	5,913,715	2,349,760	--			
2033	--	--	--	--	--	11,952,569	2,978,715	8,349,760	--			
2034	--	--	--	--	--	5,996,950	9,005,961	9,909,180	--			
2035	--	--	--	--	--	--	5,371,025	19,321,740	--			
2036	--	--	--	--	--	--	24,332,455	--	--			
2037	--	--	--	--	--	--	24,335,145	--	--			
2038	--	--	--	--	--	--	24,330,311	--	--			
2039	--	--	--	--	--	--	24,228,265	--	--			
2040	--	--	--	--	--	--	--	--	--			
Total	\$20,530,000	\$34,675,000	\$18,955,000	\$7,445,568	\$82,119,550	\$108,225,519	\$224,941,933	\$79,876,360	\$33,437,978			

(1) For current interest bonds, semi-annual interest payments thereon are due each March 1 and September 1. For capital appreciation bonds, semi-annual interest compounded on each March 1 and September 1. For current interest bonds, principal thereof payable on September 1 of each year. For capital appreciation bonds, maturity value payable on September 1 of each year.
(2) For current interest bonds, semi-annual interest payments thereon are due each February 1 and August 1. For capital appreciation bonds, semi-annual interest compounded on each February 1 and August 1. For current interest bonds, principal thereof payable on August 1 of each year. For capital appreciation bonds, maturity value payable on August 1 of each year.
(3) The convertible capital appreciation bonds bear a conversion date of August 1, 2017.
(4) Represents gross debt service thereon. The 2006 Series D Bonds were designated as federally-taxable "Build America Bonds" pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The District expects to receive cash subsidy payments ("Subsidy Payments") from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each respective semi-annual interest payment date. Such Subsidy Payments are required to be deposited, as and when received, in the respective debt service funds for such bonds, to be used as a credit against future debt service thereon. Subsidy Payments are subject to reduction (each, a "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 7.2% through the end of the current federal fiscal year (September 30, 2015). In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County is empowered to levy an *ad valorem* property tax sufficient to pay principal of and interest on such bonds.
(5) The convertible capital appreciation bonds bear a conversion date of August 1, 2021.
(6) Includes debt service on the Refunded Bonds expected to be refinanced with proceeds of the Refunding Bonds.

Source: Corona-Norco Unified School District.
* Preliminary, subject to change.

Certificates of Participation. On October 27, 2010, the District executed and delivered its Certificates of Participation, Series A of 2010 (the "2010 Refunding COPs, Series A") in the aggregate principal amount of \$32,125,000. The proceeds from the 2010 Refunding COPs, Series A were utilized to (i) refinance certain then-outstanding certificate of participation debt of the District, (ii) fund the acquisition and construction of certain school facilities, (iii) fund a reserve fund, and (iv) pay the costs related to the execution and delivery of the 2010 Refunding COPs, Series A. The following table summarizes the semi-annual 2010 Refunding COPs, Series A payment requirements of the District.

**CERTIFICATES OF PARTICIPATION, SERIES A OF 2010 - ANNUAL CERTIFICATE
PAYMENT SCHEDULE
Corona-Norco Unified School District**

Year Ending (April 15)	Principal Payment	Interest Payment	Total Annual Certificate Payments
2015	\$1,125,000.00	\$1,258,468.76	\$2,383,468.76
2016	1,160,000.00	1,224,718.76	2,384,718.76
2017	1,205,000.00	1,178,318.76	2,383,318.76
2018	1,245,000.00	1,139,193.76	2,384,193.76
2019	1,310,000.00	1,076,943.76	2,386,943.76
2020	1,375,000.00	1,011,443.76	2,386,443.76
2021	1,440,000.00	942,693.76	2,382,693.76
2022	1,515,000.00	870,693.76	2,385,693.76
2023	1,590,000.00	794,943.76	2,384,943.76
2024	1,650,000.00	735,318.76	2,385,318.76
2025	1,715,000.00	669,318.76	2,384,318.76
2026	1,785,000.00	600,718.76	2,385,718.76
2027	1,870,000.00	515,118.76	2,385,118.76
2028	1,960,000.00	425,468.76	2,385,468.76
2029	2,055,000.00	331,518.76	2,386,518.76
2030	2,150,000.00	233,018.76	2,383,018.76
2031	2,255,000.00	129,993.76	2,384,993.76
2032	475,000.00	21,968.76	496,968.76
Total	<u>\$27,880,000.00</u>	<u>\$13,159,862.68</u>	<u>\$41,039,862.68</u>

Source: Corona-Norco Unified School District.

CFD Bonds. The District has established numerous community facility districts (“CFDs”) under the Mello Roos Community Facilities Act of 1982. Presently, Community Facilities Districts [98-1], [04-1], [06-1], [06-2], and [15-1] have bonded debt outstanding (collectively, the “CFD Bonds”), as further described below.

SUMMARY OF OUTSTANDING CFD BONDED DEBT

Issuance	Initial Principal Amount	Principal Currently Outstanding	Date of Delivery
<u>CFD No. 98-1</u>			
2013 Special Tax Refunding Bonds	\$42,675,000	_____	July 11, 2013
<u>CFD No. 04-1</u>			
2013 Special Tax Refunding Bonds	12,005,000	_____	December 23, 2014
<u>CFD Nos. 06-1; 06-2</u>			
CFD No. 06-1 2007 Special Tax Bonds	5,615,000	_____	December 20, 2007
CFD No. 06-2 2013 Special Tax Bonds	3,300,000	_____	October 22, 2013
<u>CFD No. 15-1</u>			
CFD No. 15-1 2015 Special Tax Bonds	_____	_____	_____, 2015

Source: Special District Financing & Administration.

Debt service with respect to the CFD Bonds is paid from the proceeds of special taxes levied against land within the respective community facilities districts and not from general revenues of the District. The following table displays the total annual debt service requirements of the District for its outstanding CFD Bonds as of the date hereof:

<u>Year Ending (June 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014			
2015			
2016			
2017			
2018			
2019-2023			
2024-2028			
2029-2033			
2034-2038			
2039-2043			

Source: Special District Financing & Administration

Public Financing Authority Bonds. The Corona-Norco Unified School District Public Financing Authority (the "PFA") was created to refinance certain debt of the District's CFDs. On July 28, 2005, the PFA issued \$26,145,000 Special Tax Revenue Bonds, 2005 Series B (the "2005 Series B PFA Bonds"). On December 6, 2006, the PFA issued \$15,335,000 Special Tax Revenue Bonds, 2006 Series B (the "2006 Series B PFA Bonds"). On February 21, 2013 the PFA issued \$34,700,000 Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) (the "2013 Series A PFA Bonds") and \$12,915,000 Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds) (the "2013 Series B PFA Bonds"). On December 23, 2014, the PFA issued \$5,315,000 Corona-Norco Unified School District 2014 Special Tax Revenue Refunding Bonds (the "2014 Refunding PFA Bonds," and, together with the 2005 Series B PFA Bonds, the 2006 Series B PFA Bonds, the 2013 Series A PFA Bonds, and the 2013 Series B PFA Bonds, the "PFA Bonds").

Debt service with respect to the PFA Bonds is paid from the proceeds of special taxes levied against land within the certain of the District's CFDs and not from general revenues of the District. The following table summarizes the debt service requirements with respect to the PFA Bonds.

SPECIAL TAX REVENUE BONDED INDEBTEDNESS – ANNUAL DEBT SERVICE REQUIREMENTS

Corona-Norco Unified School District Public Financing Authority

Year Ending	2005 Series B PFA Bonds ⁽¹⁾	2006 Series B PFA Bonds ⁽¹⁾	2013 Series A PFA Bonds ⁽¹⁾	2013 Series B PFA Bonds ⁽¹⁾	2014 Refunding PFA Bonds ⁽¹⁾	Total Annual Debt Service
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
Total						

Source: Special District Financing & Administration

Capital Lease Obligations. The District has entered into agreements to lease mail room equipment. Payments on the District's capital lease obligations are made from the District's General Fund. As of June 30, 2014, the District's capital lease obligations had aggregate minimum lease payments as follows:

<u>Year Ending (June 30)</u>	<u>Lease Payment</u>
2015	\$140,307
2016	118,328
2017	<u>118,328</u>
Total	<u>\$376,963</u>

Source: Corona-Norco Unified School District.

See also "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS – Notes to Financial Statements, Note 10" herein.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in

the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed form of opinions of Bond Counsel for the Series A Bonds and the Refunding Bonds are attached hereto as APPENDIX A.

LEGAL MATTERS

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 Government Code of the State, are eligible for security for deposits of public moneys in the State.

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's Fiscal Year (presently ending June 30) (the "Annual Report"), commencing with the report of Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the District with the Municipal Securities Rulemaking Board, as repository. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has (i) filed certain of its annual reports, or portions thereof, after the dates required by its prior continuing disclosure undertakings, (ii) failed to timely file certain material event notices as required by applicable continuing disclosure undertakings and pursuant to the Rule, and (iii) failed to timely file notices of late filing of certain annual reports and material event notices. Additional information regarding the District's filings in the past five years is available on <http://www.emma.msrb.org>. However, the information presented on such website is not incorporated herein by any reference.

Future Undertakings. For the 2014-15 fiscal year, the District has retained has engaged [Special District Financing & Administration, Escondido, California], to assist the District with the preparation and filing of future annual reports and material event notices required under its existing continuing disclosure obligations with respect to the District's outstanding general obligation bonds, including the Bonds.

Absence of Material Litigation

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Series A Bonds or the Refunding Bonds, or in any way contesting or affecting the validity of the Series A Bonds or the Refunding Bonds or any proceedings of the District taken with respect thereto. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Series A Bonds, the Refunding Bonds or the Refunded Bonds.

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2014, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 15, 2014 of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Series A Bonds and the Refunding Bonds, will be supplied to the respective original purchasers thereof without cost. Copies of the proposed forms of such legal opinions for the Series A Bonds and the Refunding Bonds are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Series A Bonds and Refunding Bonds have each been assigned ratings of "Aa2" by Moody's and "AA-" by S&P, respectively. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich, New York, NY 10007 and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, NY 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See "- Continuing Disclosure" herein and "APPENDIX C -

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Bank of America Merrill Lynch (the “Underwriter”) has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Series A Bonds at a purchase price of \$_____ (equal to the aggregate principal amount of the Series A Bonds of \$_____, plus net original issue premium of \$_____, minus an underwriting discount of \$_____).

The Underwriter has also agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Refunding Bonds at a purchase price of \$_____ (equal to the aggregate principal amount of the Refunding Bonds of \$_____, plus net original issue premium of \$_____, minus an underwriting discount of \$_____).

The purchase contracts for the Bonds provide that the Underwriter will purchase all of the Series A Bonds and Refunding Bonds, respectively, if any are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Series A Bonds and Refunding Bonds to certain dealers and others at prices lower than such initial offering prices.

Financial Advisor

Piper Jaffray & Co., El Segundo, California (the “Financial Advisor”) has assisted the District in matters relating to the planning, structuring, and sale of the Bonds, and has provided general financial advisory services to the District with respect to the sale of the Bonds. The payment of fees of the Financial Advisor is contingent upon the closing of the transaction.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: _____
Sherry Mata
Deputy Superintendent, Business Services

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series A Bonds substantially in the following form:

_____, 2015

Board of Education
Corona-Norco Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Corona-Norco Unified School District Election of 2014 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the Corona-Norco Unified School District (the "District") voting at an election held on November 4, 2014, and a resolution of the Board of Education of the District adopted on May 5, 2015 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County adopted on June 2, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated

redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6 The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be

subject to the exercise of judicial discretion in appropriate cases, and by the limitation on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Refunding Bonds substantially in the following form:

[Closing Date]

Board of Education
Corona-Norco Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Corona-Norco Unified School District (Riverside County, California) 2015 General Obligation Refunding Bonds (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Education of the Corona-Norco Unified School District (the "District").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Corona-Norco Unified School District (the "District") in connection with the issuance of (i) \$_____ of the District's Election of 2014 General Obligation Bonds, Series A (the "Series A Bonds") and (ii) \$_____ of the District's 2015 General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Series A Bonds, the "Bonds"). The Series A Bonds are being issued pursuant to a resolution of the District dated May 5, 2015 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County dated June 2, 2015 (the "County Resolution" and together with the District Resolution, the "New Money Resolutions"). The Refunding Bonds are being issued pursuant to a resolution on the District dated May 5, 2015 (the "Refunding Resolution," and together with the New Money Resolutions, the "Resolutions"). The District covenants and agrees as follows:

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

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

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

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

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

"Holder" shall mean the registered owner of the Bonds.

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

"Official Statement" means that certain official statement, dated _____, 2015, relating to the offering and sale of the Bonds.

"Participating Underwriter" shall mean Bank of America Merrill Lynch or any of the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2014-15 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) Average daily attendance of the District for the last completed fiscal year;

- (c) Outstanding indebtedness as of the last completed fiscal year;
- (d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) Total assessed valuation of taxable properties in the District for the current fiscal year; and
- (f) Secured tax charges and delinquency information for the District for the prior fiscal year, to the extent that Riverside County discontinues the Teeter Plan (as such term is defined in the Official Statement).

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

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the

entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the

District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be

necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: _____, 2015

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: _____

Sherry Mata
Deputy Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: CORONA-NORCO UNIFIED SCHOOL DISTRICT

Name of Bond Issues: Election of 2014 General Obligation Bonds, Series A
2015 General Obligation Refunding Bonds

Date of Issuance: _____, 2015

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

Dated: _____

CORONA-NORCO UNIFIED SCHOOL
DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF CORONA AND NORCO AND RIVERSIDE COUNTY

The following information regarding the City of Corona ("Covina"), the City of Norco ("Norco," and together with Corona, the "Cities") and Riverside County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

The City of Corona. Corona is located in Western Riverside County 44 miles east of Los Angeles along State Route 91 and U.S. Interstate 15. Corona is approximately 34.61 square miles in area.

Incorporated in 1896, Corona operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year terms. The City Council elects one of the Council members as Mayor.

Corona provides police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, refuse collection, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation.

The City of Norco. Norco is located directly north of Corona in Western Riverside County 44 miles east of Los Angeles along U.S. Interstate 15. Norco is approximately 17 square miles in area. Norco is an animal-keeping and equestrian-oriented community.

Incorporated in 1964, Norco operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year term. The City Council elects one of the Council members as Mayor.

Norco provides fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, refuse collection, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation. Law enforcement services are provided by the Riverside County Sheriff's Department.

Riverside County. Riverside County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County has experienced a long period of growth and development. It is currently the eleventh most populous county in the United States, and fourth largest in the State. The County, incorporated in 1893, is a general law county with its seat located in the city of Riverside.

Population

The following table below shows historical population figures for the Cities, the County and the State from 2000 through 2014.

**POPULATION ESTIMATES
Cities of Corona and Norco, Riverside County and State of California
2000 through 2014**

<u>Year⁽¹⁾</u>	<u>City of Corona</u>		<u>City of Norco</u>		<u>Riverside County</u>		<u>State of California</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2000 ⁽²⁾	124,966	--	24,157	--	1,545,387	--	33,873,086	--
2001	129,543	3.7%	24,408	1.0%	1,589,708	2.9%	34,256,789	1.1%
2002	134,555	3.9	24,882	1.9	1,655,291	4.1	34,725,516	1.4
2003	138,570	3.0	25,321	1.8	1,730,219	4.5	35,163,609	1.3
2004	144,084	4.0	25,624	1.2	1,814,485	4.9	35,570,847	1.2
2005	144,719	0.4	26,532	3.5	1,895,695	4.5	35,869,173	0.8
2006	145,399	0.5	27,045	1.9	1,975,913	4.2	36,116,202	0.7
2007	146,272	0.6	27,017	(0.1)	2,049,902	3.7	36,399,676	0.8
2008	147,319	0.7	26,812	(0.8)	2,102,741	2.6	36,704,375	0.8
2009	149,692	1.6	26,852	0.1	2,140,626	1.8	36,966,713	0.7
2010 ⁽²⁾	152,374	1.8	27,063	0.8	2,189,641	2.3	37,253,956	0.8
2011	153,047	0.4	26,968	(0.4)	2,205,731	0.7	37,427,946	0.5
2012	154,986	1.3	27,123	0.6	2,234,209	1.3	37,668,804	0.6
2013	156,864	1.2	26,632	(1.8)	2,255,653	1.0	37,984,138	0.8
2014	159,132	1.4	26,582	(0.2)	2,279,967	1.1	38,340,074	0.9

⁽¹⁾ January 1 data.

⁽²⁾ April 1 data.

Source: California Department of Finance.

Income

The following table shows per capita personal income for the County, the State and the United States from 2004 through 2013.

PER CAPITA PERSONAL INCOME⁽¹⁾
Riverside County, State of California and United States
2004 through 2013

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2004	\$27,801	\$37,156	\$34,300
2005	28,933	38,964	35,888
2006	30,368	41,623	38,127
2007	30,934	43,152	39,804
2008	30,876	43,608	40,873
2009	29,651	41,587	39,379
2010	29,612	42,282	40,144
2011	31,196	44,749	42,332
2012	32,534	47,505	44,200
2013	33,278	48,434	44,765

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

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

Employment

The following table summarizes the labor force, employment and unemployment figures for the Cities, the County and the State from 2010 through 2014.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE City of Corona, City of Norco, Riverside County and State of California 2010 through 2014⁽¹⁾

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
2010				
City of Corona	85,800	76,500	9,200	10.8%
City of Norco	14,000	12,300	1,700	11.9
Riverside County	938,400	802,300	136,200	14.5
State of California	18,336,300	16,068,400	2,267,900	12.4
2011				
City of Corona	86,100	77,300	8,800	10.2%
City of Norco	14,000	12,400	1,600	11.2
Riverside County	939,600	810,400	129,200	13.8
State of California	18,417,900	16,249,600	2,168,300	11.8
2012				
City of Corona	86,900	79,100	7,800	9.0%
City of Norco	14,100	12,700	1,400	10.0
Riverside County	944,500	828,800	115,600	12.3
State of California	18,519,000	16,589,700	1,929,300	10.4
2013				
City of Corona	88,200	81,600	6,600	7.5%
City of Norco	14,300	13,100	1,200	8.3
Riverside County	953,200	855,300	97,900	10.3
State of California	18,596,800	16,933,300	1,663,500	8.9
2014				
City of Corona	77,800	72,800	5,000	6.4%
City of Norco	11,900	11,100	800	6.6
Riverside County	1,011,500	928,200	83,400	8.2
State of California	18,811,500	17,397,140	1,430,973	8.9

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

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

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2014 Benchmark.

Industry

The following table summarizes the average annual industry employment in the County from 2009 through 2013.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES Riverside County 2009 through 2013

<u>Type of Employment</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Farm	12,400	12,400	12,400	12,900	12,400
Mining and Logging	500	400	400	400	300
Construction	40,400	35,400	34,100	35,200	42,400
Manufacturing	39,000	37,900	38,600	39,500	39,100
Transportation, Warehousing and Utilities	19,700	19,400	20,200	21,100	24,000
Wholesale Trade	18,700	19,100	19,700	20,600	22,300
Retail Trade	78,800	78,500	81,600	81,100	82,000
Information	8,500	10,200	7,600	6,300	6,200
Financial Activities	20,700	19,300	18,600	19,300	20,000
Professional and Business Services	53,600	50,300	52,200	53,900	57,400
Educational and Health Services	68,300	67,800	70,700	76,100	83,000
Leisure and Hospitality	68,700	67,700	68,900	72,200	75,800
Other Services	18,100	18,300	18,800	19,200	20,000
Government	<u>109,300</u>	<u>109,200</u>	<u>114,200</u>	<u>112,100</u>	<u>111,200</u>
Total All Industries	556,700	545,800	557,900	570,700	596,200

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

Source: California Employment Development Department, Labor Market Information Division. March 2014 Benchmark.

Principal Employers

The following tables list the principal employers located in the Cities and the County.

PRINCIPAL EMPLOYERS City of Corona As of June 30, 2014

<u>Employer Name</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Corona-Norco Unified School District	2,459	2.79%
Corona Regional Medical Center	1,100	1.25
Kaiser Permanente	825	0.94
City of Corona	801	0.91
Fender Guitar	800	0.91
All American Asphalt	700	0.79
Actavis	626	0.71
CIRCOR	600	0.68
Monster Energy	475	0.54
TWR Framing Enterprises	465	0.53

Source: "Comprehensive Annual Financial Report" of the City of Corona, California for the fiscal year July 1, 2013 through June 30, 2014.

PRINCIPAL EMPLOYERS City of Norco As of June 30, 2014

<u>Employer Name</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Corona-Norco Unified School District	4,632	33.81%
Naval Surface Warfare Center	1,300	9.49
California Rehabilitation Center	1,147	8.37
Riverside Community College	391	2.85
Target Stores	186	1.36
Quick Crete Products Corp.	145	1.06
Winco Foods, LLC	145	1.06
International E-Z Up, Inc.	110	0.80
Hemborg Ford, Inc.	100	0.73
Keller Williams Realty	98	0.72

Source: "Comprehensive Annual Financial Report" of the City of Norco, California for the fiscal year July 1, 2013 through June 30, 2014.

PRINCIPAL EMPLOYERS
Riverside County
As of June 30, 2014

<u>Employer Name</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
County of Riverside	19,916	2.30%
March Air Reserve Base	8,500	0.98
Stater Bros. Markets	6,900	0.80
University of California, Riverside	5,514	0.64
Kaiser Permanente Riverside Med. Center	5,270	0.61
Pechanga Resort & Casino	4,500	0.52
Corona-Norco Unified School District	4,300	0.50
Walmart	4,068	0.47
Riverside Unified School District	4,000	0.46
Hemet Unified School District	3,572	0.41

Source: "Comprehensive Annual Financial Report" of Riverside County, California for the fiscal year July 1, 2013 through June 30, 2014.

Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2009 through 2013 are shown in the following tables.

ANNUAL TAXABLE SALES City of Corona 2009 through 2013 (In Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2009	2,295	\$1,484,916	3,693	\$2,426,746
2010	2,438	1,536,310	3,851	2,454,989
2011	2,554	1,679,423	4,045	2,715,071
2012	2,617	1,773,853	4,077	2,855,833
2013	2,517	1,849,050	4,004	3,111,998

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

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

ANNUAL TAXABLE SALES City of Norco 2009 through 2013 (In Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2009	524	\$287,864	808	\$340,697
2010	540	301,681	827	354,729
2011	571	330,169	862	384,972
2012	607	364,646	902	429,119
2013	658	394,368	940	468,781

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

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

ANNUAL TAXABLE SALES Riverside County 2009 through 2013 (In Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2009	29,829	\$16,057,488	42,765	\$22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467

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

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

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2009 through 2013 for the Cities and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS City of Corona 2009 through 2013 (Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Valuation (\$000's)					
Residential	\$18,781	\$18,098	\$66,774	\$23,973	\$33,878
Non-Residential	<u>18,926</u>	<u>51,277</u>	<u>46,904</u>	<u>46,137</u>	<u>95,334</u>
Total	\$37,707	\$69,375	\$113,678	\$70,110	\$129,212
Units					
Single Family	33	31	55	78	39
Multiple Family	<u>58</u>	<u>107</u>	<u>408</u>	<u>0</u>	<u>237</u>
Total	91	138	463	78	276

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Norco 2009 through 2013 (Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Valuation (\$000's)					
Residential	\$1,071	\$2,498	\$0	\$2,238	\$247
Non-Residential	<u>6,310</u>	<u>4,927</u>	<u>5,710</u>	<u>7,100</u>	<u>2,102</u>
Total	\$7,381	\$7,425	\$5,710	\$9,338	\$2,349
Units					
Single Family	0	2	0	2	0
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	0	2	0	2	0

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
Riverside County
2009 through 2013
(Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Valuation (\$000's)					
Residential	\$1,053,694	\$1,079,637	\$760,240	\$1,079,405	\$1,375,593
Non-Residential	<u>376,819</u>	<u>539,379</u>	<u>679,117</u>	<u>657,595</u>	<u>873,977</u>
Total	\$1,430,513	\$1,619,016	\$1,439,357	\$1,737,000	\$2,249,570
Units					
Single Family	3,431	4,031	2,659	3,720	4,716
Multiple Family	<u>759</u>	<u>526</u>	<u>1,061</u>	<u>909</u>	<u>1,427</u>
Total	4,190	4,557	3,720	4,629	6,143

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY INVESTMENT POOL

The following information concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current Riverside County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Riverside County Board of Supervisors may change the Riverside County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at [http:// http://www.countytreasurer.org/Treasurer/TreasurersPooledInvestmentFund.aspx](http://http://www.countytreasurer.org/Treasurer/TreasurersPooledInvestmentFund.aspx); however, the information presented on such website is not incorporated herein by any reference.