TABLE OF CONTENTS

(continued)

Page

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)

$_________*	**$_________***
General Obligation Bonds, Election of 2014, Series 2015	**General Obligation Refunding Bonds, Series 2015**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page 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 Series 2015 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of (i) $_________* aggregate initial principal amount of Murrieta Valley Unified School District (County of Riverside, California) General Obligation Bonds, Election of 2014, Series 2015 (the "Series 2015 New Money Bonds"), consisting of current interest bonds ("Current Interest Bonds"), capital appreciation bonds ("Capital Appreciation Bonds") and/or capital appreciation bonds that convert to current interest bonds ("Convertible Capital Appreciation Bonds"), and (ii) $_________* aggregate principal amount of Murrieta Valley Unified School District (County of Riverside, California) General Obligation Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), all as indicated on the inside front cover hereof, to be offered by the Murrieta Valley Unified School District (the "District"). The Series 2015 New Money Bonds and the Series 2015 Refunding Bonds are collectively referred to herein as the "Series 2015 Bonds."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificates to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2015 Bonds. Quotations from and summaries and explanations of the Series 2015 Bonds, the resolutions of the Board of Education of the District and the Board of Supervisors of the County of Riverside, California (the "County") providing for the issuance of each series of the Series 2015 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2015 Bonds.

Copies of documents referred to herein and information concerning the Series 2015 Bonds are available from the District by contacting: Murrieta Valley Unified School District, 41870 McAlby Court,

* *Preliminary; subject to change.*

Murrieta, California 92562, Attention: Assistant Superintendent, Facilities and Operational Services. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was formed in 1885 as the Murrieta School District and on July 1, 1989, the District completed proceedings to reorganize as a unified school district within the same boundaries under the name Murrieta Valley Unified School District. The District provides public education within a 129 square mile area including most of the City of Murrieta and a portion of unincorporated areas of the County.

The District currently operates 11 kindergarten-through-fifth-grade elementary schools, four sixth-through-eighth-grade middle schools, three ninth-through-twelfth-grade high schools, one ninth through twelfth grade alternative education school, one independent study school and one adult/community college program. The District estimates that total current enrollment is approximately 22,653 students. For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

THE SERIES 2015 BONDS

Authority for Issuance; Plan of Finance

Series 2015 New Money Bonds. The Series 2015 New Money Bonds are issued under the provisions of California Government Code Section 53506 et seq., including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Supervisors of the District on June 16, 2015 (the "New Money Resolution"), pursuant to the request of the District made by a resolution adopted by the Board of Education of the District on May 28, 2015.

At an election held on November 4, 2014, the District received authorization to issue bonds of the District under Measure BB in an aggregate principal amount not to exceed $98,000,000 to finance specific school facility construction, repair and improvement projects (the "2014 Authorization"). The measure required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 57.95%. The Series 2015 New Money Bonds represent the first series of the authorized bonds to be issued under the 2014 Authorization and will be issued to finance authorized projects.

Series 2015 Refunding Bonds. The Series 2015 Refunding Bonds are issued by the District pursuant to the Constitution and laws of the State, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Education of the District on May 28, 2015, providing for the issuance of the Series 2015 Refunding Bonds (the "Refunding Resolution").

Proceeds from the Series 2015 Refunding Bonds will be used (i) to refund, on an advance basis, a portion of the outstanding Murrieta Valley Unified School District General Obligation Bonds, Election of 2006, Series 2007 (the "Series 2007 Bonds"), and (ii) to pay costs of issuance of the Series 2015 Refunding Bonds.

See "–Plan of Refunding" and "–Estimated Sources and Uses of Funds" below.

Possible Municipal Bond Insurance

In connection with the issuance of the Series 2015 Bonds, the District has applied for, and may obtain a municipal bond insurance policy to guarantee the scheduled payment of principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) of and interest on all or a portion of the Series 2015 Bonds as such payments shall become due.

No assurance can be given as to whether a commitment will be issued by an insurer to the District and, if a commitment is issued by an insurer to the District, no assurance can be given as to (a) whether the District will decide to obtain an insurance policy from an insurer in connection with the issuance of the Series 2015 Bonds, or (b) whether the District will insure all or less than all of the Series 2015 Bonds. If a commitment is issued by an insurer to the District, the District's decision as to whether or not the insurance policy will be obtained from an insurer with respect to all or a portion of the Series 2015 Bonds will be made at or about the time of the pricing of the Series 2015 Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the District does decide to obtain an insurance policy from an insurer, it will be a condition to the issuance of the Series 2015 Bonds that such insurance policy be issued concurrently with the issuance of the Series 2015 Bonds.

In the event the District does decide to obtain a municipal bond insurance policy from an insurer, the insured Series 2015 Bonds (the "Insured Bonds") would be assigned one or more insured ratings from the rating agency (or rating agencies) assigning the underlying ratings to the Series 2015 Bonds based solely as a result of the issuance of such insurance policy, and such rating(s) would reflect the rating agency's (or rating agencies') views of the claims-paying ability and financial strength of the applicable insurer. The financial strength and claims paying ability of any insurer are predicated upon a number of factors which could change over time. Neither the District nor the Underwriter has made any independent investigation into the claims paying ability of any insurer, and no assurance or representation regarding the financial strength or projected financial strength of any insurer is given. In addition, no assurance is made that any insured rating of the Insured Bonds would not be subject to downgrade. The existence of any insurance policy will not, of itself, negatively affect the underlying ratings assigned to the Series 2015 Bonds. Without regard to any bond insurance, the Series 2015 Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the counties on property within the District in an amount sufficient for the timely payment of principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) of and interest on the Series 2015 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS." However, any downward revision or withdrawal of any rating of an insurer may have an adverse effect on the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

In the event of default of the payment of principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) of or interest on the Insured Bonds, if any, when all or some becomes due, any owner of the Insured Bonds would have a claim under any applicable municipal bond insurance policy for such payments. However, in the event of any acceleration of the due date of such principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) by reason of optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments would be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. No municipal bond insurance policy would insure against redemption premium, if any. The payment of principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) and interest in connection with mandatory or optional redemption of the Insured Bonds by the issuer which is recovered from an Insured Bond owner as a voidable preference under applicable bankruptcy law would be covered by any municipal bond insurance policy; however, such payments would be made by the applicable insurer at such time and in such amounts as would have been due absent such redemption unless the insurer were to choose to pay such amounts at an earlier date.

In the event any insurer becomes obligated to make payments with respect to any Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. The obligations of any insurer are contractual obligations and, in an event of default by an insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Form and Registration

Each series of the Series 2015 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount, maturity value or accreted value at their Conversion Date, as applicable, or integral multiples thereof. Each series of the Series 2015 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2015 Bonds. Purchases of Series 2015 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2015 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2015 Bonds, beneficial owners ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Series 2015 New Money Bonds will be issued as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds as set forth on the inside front cover hereof. The Series 2015 Refunding Bonds will be issued as Current Interest Bonds as set forth on the inside cover hereof.

Interest; Current Interest Bonds. The Series 2015 Bonds issued as Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing on [September 1, 2015], computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

Interest; Capital Appreciation Bonds. The Series 2015 New Money Bonds issued as Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity (on the basis of a 360-day year of 12 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof ("Maturity Value"), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing [September 1, 2015].

Interest; Convertible Capital Appreciation Bonds. The Series 2015 New Money Bonds issued as Convertible Capital Appreciation Bonds will be dated as of their date of delivery. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Convertible Capital Appreciation Bond will accrete in value daily from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its stated accreted value at the Conversion Date thereof (on the basis of a 360-day year consisting of twelve 30-day months), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing on [September 1, 2015].

From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rate applicable thereto set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on the March 1 or September 1 immediately following such Conversion Date, computed using a year of 360 days, comprising twelve 30-day months. Following the Conversion Date thereof, each Convertible Capital Appreciation Bond will bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it will bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

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

For any Convertible Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to the Conversion Date thereof may be calculated by discounting the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bond from its Conversion Date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Tables of Accreted Values shown in Appendices G and H hereto, in order to provide the value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity and the value per $5,000 of accreted value at the Conversion Date for each Convertible Capital Appreciation Bond on each Interest Date prior to the Conversion Date thereof.

Payment of Series 2015 Bonds. The principal and accreted value of the Series 2015 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of Zions First National Bank, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Current Interest Bonds and the Convertible Capital Appreciation Bonds after the Conversion Date is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Current Interest Bonds or Capital Appreciation Bonds after the Conversion Date who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2015 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption of Series 2015 New Money Bonds. The Series 2015 New Money Bonds issued as Current Interest Bonds maturing on or before September 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2015 New Money Bonds issued as Current Interest Bonds maturing on and after September 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after September 1, 20__, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Series 2015 New Money Bonds issued as Capital Appreciation Bonds maturing or before September 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Series 2015 New Money Bonds issued as Capital Appreciation Bonds maturing on and after September 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after September 1, 20__, at a redemption price equal to the principal amount of the Capital Appreciation Bonds called for redemption plus accreted interest thereon to the date of redemption, without premium.

The Series 2015 New Money Bonds issued as Convertible Capital Appreciation Bonds maturing on or before September 1, 20__, are not subject to redemption prior to their respective stated maturity dates. The Series 2015 New Money Bonds issued as Convertible Capital Appreciation Bonds maturing on and after September 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after September 1, 20__, at a redemption price equal to the stated accreted value at the Conversion Date of the Convertible Capital Appreciation Bonds called for redemption, together with interest accrued thereon from the last Interest Date for which interest has been paid to the date of redemption, without premium.

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* *Preliminary; subject to change.*

Optional Redemption of Series 2015 Refunding Bonds. The Series 2015 Refunding Bonds maturing on or before September 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2015 Refunding Bonds maturing on and after September 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after September 1, 20__, at a redemption price equal to the principal amount of the Series 2015 Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of Series 2015 New Money Bonds. The $__________ term Series 2015 New Money Bonds issued as Current Interest Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
†	

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the term Series 2015 New Money Bonds issued as Current Interest Bonds maturing on September 1, 20__ optionally redeemed prior to the mandatory sinking fund redemption date.

The $__________ term Series 2015 New Money Bonds issued as Capital Appreciation Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value amount to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (September 1)	Initial Principal Amount to be Redeemed	Accreted Value Amounts to be Redeemed
†		

† Maturity.

The accreted value amounts to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000 of Maturity Value, by any portion of such term Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $__________ Series 2015 New Money Bonds issued as Convertible Capital Appreciation Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective stated accreted value amounts at the Conversion Date thereof as set forth in the following schedule, at a redemption price equal to 100% of the stated accreted value amount to be redeemed (without premium), together with interest accrued thereon from the last Interest Date for which interest has been paid to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (September 1)	Initial Principal Amount to be Redeemed	Stated Accreted Value Amounts to be Redeemed
†		

† Maturity.

The stated accreted value amounts at the Conversion Date thereof to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Convertible Capital Appreciation Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Mandatory Sinking Fund Redemption of Series 2015 Refunding Bonds. The $_________ term Series 2015 Refunding Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
†	

† Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, by any portion of the term Series 2015 Refunding Bonds maturing on September 1, 20__ optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2015 Bonds for Redemption. If less than all of the Series 2015 Bonds of a series are called for redemption, such Series 2015 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2015 Bonds of any one maturity of a series are designated for redemption, the Paying Agent shall select the outstanding Series 2015 Bonds of such maturity and such series to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2015 Bond shall be deemed to consist of individual Series 2015 Bonds of denominations of $5,000 principal amount, Maturity Value or accreted value at the Conversion Date thereof, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2015 Bond will be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the applicable Continuing Disclosure Certificate. See APPENDIX D – "FORMS OF CONTINUING DISCLOSURE CERTIFICATES."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2015 Bonds and the date of issue of the Series 2015 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2015 Bonds to be redeemed; (vi) if less than all of the Series 2015 Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2015 Bonds of each maturity to be redeemed; (vii) in the case of Series 2015 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2015 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2015 Bonds to be redeemed; (ix) a statement that such Series 2015 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2015 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2015 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2015 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2015 Bonds called for redemption is set aside, the Series 2015 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2015 Bonds at the place specified in the notice of redemption, such Series 2015 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2015 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2015 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2015 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2015 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2015 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2015 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2015 Bonds

The District may pay and discharge any or all of any series of the Series 2015 Bonds by depositing in trust with the Paying Agent for such series or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2015 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on any series of the Series 2015 Bonds and remaining unclaimed for two years after the principal of all of such series of Series 2015 Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Plan of Refunding

The proceeds of the Series 2015 Refunding Bonds will be issued (i) to refund and defease, on an advance basis, the District's outstanding Series 2007 Bonds maturing on September 1 in the years [2018 through 2030, inclusive]* (the "Prior Bonds") and (ii) to pay certain costs of issuance of the Series 2015A Refunding Bonds.

The District and Zions First National Bank, as escrow bank (the "Escrow Bank") will enter into the Escrow Agreement, dated as of _________ 1, 2015 (the "Escrow Agreement"), with respect to the Prior Bonds being refunded, pursuant to which the District will deposit a portion of the proceeds from the sale of the Series 2015 Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Prior Bonds, which will be held and applied pursuant to the Escrow Agreement, will be sufficient to enable the Escrow Bank to pay the interest due on each interest payment date for the Prior Bonds through the redemption date (September 1, 2017) and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Bonds being refunded on such redemption date in accordance with the schedule set forth in the Escrow Agreement. See "ESCROW VERIFICATION" herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on any other bonds of the District, including the Series 2015 Bonds.

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* *Preliminary; subject to change.*

Estimated Sources and Uses of Funds

The proceeds of the Series 2015 New Money Bonds are expected to be applied as follows:

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Obligation Bonds, Election of 2014, Series 2015

Estimated Sources and Uses of Funds

Sources of Funds:	
Initial Principal Amount	
Plus/Less Net Original Issue Premium/Discount	
Total Sources of Funds	
Uses of Funds:	
Deposit to Building Fund	
Deposit to Interest and Sinking Fund(1)	
Costs of Issuance(2)	
Underwriter's Discount (3)	
Total Uses of Funds	

(1) Consists of premium received by the District.
(2) Includes bond counsel fees, disclosure counsel fees, financial advisor fees, rating agency fees, bond insurance premium, if any, printing fees and other miscellaneous expenses [the Underwriter has contracted to pay].
[(3) Exclusive of costs of issuance the Underwriter has contracted to pay.]

The proceeds from the sale of the Series 2015 New Money Bonds, to the extent of the principal amount thereof, will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2015 New Money Bonds were authorized. Any premium or accrued interest on the Series 2015 New Money Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the Auditor-Controller Treasurer-Tax Collector of the County (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented form time to time. See APPENDIX E – "COUNTY OF RIVERSIDE POOLED INVESTMENT FUND" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law, the District may request in writing all or any portion of the funds held in the Building Fund may be invested (i) in the Local Agency Investment Fund in the treasury of the State, (ii) in investment agreements, including guaranteed investment contracts, float contracts or other investment products which will not adversely affect the ratings on the Series 2015 Bonds, or (iii) in accordance with Sections 41015 and 41016 of the California Education Code. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

The proceeds of the Series 2015 Refunding Bonds are expected to be applied as follows:

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Obligation Refunding Bonds, Series 2015

Estimated Sources and Uses of Funds

Sources of Funds:	
Principal Amount	
Plus/Less Original Issue Premium/Discount	
Total Sources of Funds	
Uses of Funds:	
Escrow Fund	
Costs of Issuance[1]	
Underwriter's Discount	
Total Uses of Funds	

(1) Includes bond counsel fees, disclosure counsel fees, financial advisor fees, rating agency fees, bond insurance premium, if any, printing fees and other miscellaneous expenses.

Debt Service

Debt service on each series of the Series 2015 Bonds, assuming no early redemptions, is as shown in the following table.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Obligation Bonds, Election of 2014, Series 2015 and
General Obligation Refunding Bonds, Series 2015

	Series 2015 New Money Bonds						**Series 2015 Refunding Bonds**		
	Current Interest Bonds		Capital Appreciation Bonds		Convertible Capital Appreciation Bonds		Current Interest Bonds		
Year Ending September 1,	Principal	Interest	Principal	Interest Paid at Maturity	Principal	Interest including Interest Paid at Maturity	Principal	Interest	Total Debt Service
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			-	-	-	-	-	-	
2043			-	-	-	-	-	-	
2044			-	-	-	-	-	-	
Total:									

Outstanding Bonds

In addition to each series of the Series 2015 Bonds (and not accounting for the planned refunding of the Prior Bonds with proceeds of the Series 2015 Refunding Bonds), the District has nine additional series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series 2015 Bonds.

On April 14, 1998, over two-thirds of the registered voters of the District approved $37,500,000 aggregate principal amount of general obligation bonds (the "1998 Authorization"). On September 1, 1998, the County, at the request of the District, issued $25,999,500.65 aggregate initial principal amount of the Murrieta Valley Unified School District (Riverside County, California) 1998 Series A General obligation Bonds (the "Series 1998 Bonds") as the District's first series of bonds issued under the 1998 Authorization. On September 13, 2001, the County, at the request of the District, issued $11,499,325.70 aggregate initial principal amount of Murrieta Valley Unified School District (Riverside County, California) 1998 Series B General Obligation Bonds (the "Series 2001 Bonds") as the District's second and final series of bonds issued under the 1998 Authorization. On December 15, 2011, the District issued $4,690,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds"), which were issued to refund a portion of the outstanding Series 2001 Bonds issued under the 1998 Authorization.

On November 5, 2002, over 55% of the voters of the District approved $40,400,000 aggregate principal amount of general obligation bonds (the "2002 Authorization"). On June 11, 2003, the County, at the request of the District, issued $16,904,284.40 aggregate initial principal amount of the Murrieta Valley Unified School District (Riverside County, California) General Obligation Bonds, Election of 2002, Series A (the "Series 2002A Bonds"), as the first series of bonds issued under the 2002 Authorization. On August 31, 2005, the County, at the request of the District, issued $23,495,000 aggregate principal amount of the Murrieta Valley Unified School District General Obligation Bonds, Election of 2002, Series B (the "Series 2002B Bonds") as the second and final series of bonds issued under the 2002 Authorization. On July 31, 2012, the District issued $11,425,000 aggregate principal amount of its General Obligation Refunding Bonds, Election of 2002, Series 2012 (the "Series 2012 Refunding Bonds"), which were issued to refund certain of the Series 2002A Bonds issued under the 2002 Authorization. On June 20, 2013, the District issued $15,640,000 aggregate principal amount of its General Obligation Refunding Bonds, Election of 2002, Series 2013 (the "Series 2013 Refunding Bonds") to refund a portion of the outstanding Series 2002B Bonds issued under the 2002 Authorization.

On June 6, 2006, over 55% of the voters of the District approved an aggregate principal amount not to exceed $120,000,000 to finance specific construction and acquisition projects approved by the voters (the "2006 Authorization"). On January 25, 2007, the County, at the request of the District, issued $95,000,000 aggregate principal amount of the Murrieta Valley Unified School District General Obligation Bonds, Election of 2006, Series 2007 (the "Series 2007 Bonds") as the first series of bonds issued under the 2006 Authorization. On October 1, 2008, the County, at the request of the District, issued $24,996,843.70 aggregate initial principal amount of the Murrieta Valley Unified School District General Obligation Bonds, Election of 2006, Series 2008 (the "Series 2008 Bonds") as the second and final series under the 2006 Authorization.

The Series 1998 Bonds, the Series 2001 Bonds, the Series 2002A Bonds, the Series 2002B Bonds, the Series 2007 Bonds, the Series 2008 Bonds, the Series 2011 Refunding Bonds, the Series 2012 Refunding Bonds and the Series 2013 Refunding Bonds were issued to finance and refinance the construction, reconstruction and modernization of school facilities within the District.

Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including each series of the Series 2015 Bonds), assuming no early redemptions.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Obligation Bonds – Aggregate Debt Service

	1998 Authorization			2002 Authorization				2006 Authorization			2014 Authorization	
Year Ending September 1	Series 1998 Bonds	Series 2001 Bonds	Series 2011 Refunding Bonds	Series 2002A Bonds	Series 2002B Bonds	Series 2012 Refunding Bonds	Series 2013 Refunding Bonds	Series 2007 Bonds(1)	Series 2008 Bonds	Series 2015 Refunding Bond	Series 2015 New Money Bonds	Total Annual Debt Service
2015	$4,575,000.00	-	$752,942.50	-	$759,200.00	$1,095,487.50	$663,333.76	$5,851,675.00	$299,100.00			
2016	4,665,000.00	-	754,195.00	-	-	1,095,987.50	1,395,133.76	6,119,275.00	295,700.00			
2017	4,760,000.00	-	755,203.75	-	-	1,091,187.50	1,395,593.76	6,396,025.00	297,125.00			
2018	4,855,000.00	-	755,871.25	-	-	1,092,437.50	1,382,393.76	6,688,775.00	298,200.00			
2019	4,950,000.00	$ 760,000.00	-	-	-	1,091,637.50	1,384,093.76	6,985,175.00	302,600.00			
2020	5,050,000.00	760,000.00	-	-	-	1,094,637.50	1,381,043.76	7,291,175.00	296,400.00			
2021	5,150,000.00	765,000.00	-	-	-	1,097,887.50	1,382,243.76	7,603,425.00	295,000.00			
2022	5,255,000.00	765,000.00	-	-	-	1,093,887.50	1,382,643.76	7,930,425.00	530,000.00			
2023	4,390,000.00	760,000.00	-	-	-	1,092,887.50	1,381,143.76	8,540,175.00	1,055,000.00			
2024	-	-	-	-	-	1,093,937.50	1,382,143.76	8,592,575.00	3,695,000.00			
2025	-	-	-	-	-	1,094,087.50	1,383,093.76	8,760,075.00	3,785,000.00			
2026	-	-	-	-	-	1,095,775.00	1,372,693.76	9,069,075.00	3,875,000.00			
2027	-	-	-	$1,160,000.00	-	-	1,375,037.50	9,391,325.00	4,050,000.00			
2028	-	-	-	-	-	-	1,369,575.00	9,388,750.00	4,400,000.00			
2029	-	-	-	-	-	-	1,371,375.00	9,695,425.00	4,400,000.00			
2030	-	-	-	-	-	-	-	10,141,725.00	4,400,000.00			
2031	-	-	-	-	-	-	-	-	13,195,000.00			
2032	-	-	-	-	-	-	-	-	13,195,000.00			
2033	-	-	-	-	-	-	-	-	13,195,000.00			
2034	-	-	-	-	-	-	-	-	-			
2035	-	-	-	-	-	-	-	-	-			
2036	-	-	-	-	-	-	-	-	-			
2037	-	-	-	-	-	-	-	-	-			
2038	-	-	-	-	-	-	-	-	-			
2039	-	-	-	-	-	-	-	-	-			
2040	-	-	-	-	-	-	-	-	-			
2041	-	-	-	-	-	-	-	-	-			
2042	-	-	-	-	-	-	-	-	-			
2043	-	-	-	-	-	-	-	-	-			
2044	-	-	-	-		-	-	-	-			
Total:												

(1) Does not reflect the planned refunding of the Prior Bonds from proceeds of the Series 2015 Refunding Bonds.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on each series of the Series 2015 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. See APPENDIX E – "COUNTY OF RIVERSIDE POOLED INVESTMENT FUND."

The Series 2015 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2015 Bonds.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due, as *ex officio* treasurer of the school district.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2014-15 assessed value of $12,315,550,868. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

Shown in the following table is the assessed valuation of the various classes of property in the District for the last 10 fiscal years.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Assessed Valuations
Fiscal Years 2005-06 through 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total
2005-06	$9,596,890,120	$198,424	$153,328,669	$9,750,417,213
2006-07	12,002,813,069	264,750	163,275,788	12,166,353,607
2007-08	13,480,729,903	189,735	195,958,594	13,676,878,232
2008-09	13,012,012,128	189,735	244,835,985	13,257,037,848
2009-10	11,273,954,497	189,735	239,963,399	11,514,107,631
2010-11	10,901,238,405	189,735	222,264,604	11,123,692,744
2011-12	10,752,509,050	189,735	211,769,596	10,964,468,381
2012-13	10,622,592,059	144,195	255,061,806	10,877,798,060
2013-14	11,120,175,058	144,195	214,211,715	11,334,530,968
2014-15	12,103,462,159	144,195	211,944,514	12,315,550,868

Source: California Municipal Statistics, Inc.

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

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

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

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

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2014-15 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $307.9 million and its net bonding capacity is approximately $[154.5] million (taking into account current outstanding debt before issuance of the Series 2015 Bonds and the refunding of the Prior Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2014-15 Assessed Valuation by Jurisdiction[1]

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Murrieta	$10,170,605,448	82.58%	$11,085,595,305	91.75%
City of Temecula	1,463,329	0.01	$13,359,627,484	0.01%
Unincorporated Riverside County	2,143,482,091	17.40	$34,589,271,495	6.20%
Total District	$12,315,550,868	100.00%		
Total Riverside County	$12,315,550,868	100.00%	$225,770,065,829	5.45%

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2014-15 Assessed Valuation and Parcels by Land Use

	2014-15 Assessed Valuation		2014-15 Taxable Parcels	
Non-Residential:	Secured Valuation[1]	% of Total	Number of Parcels	% of Total
Agricultural/Rural	$174,713,437	1.44%	674	1.81%
Commercial	923,413,302	7.63	360	0.96
Vacant Commercial	181,301,209	1.50	472	1.26
Professional/Office	94,209,543	0.78	78	0.21
Industrial	85,015,640	0.70	101	0.27
Recreational	34,144,062	0.28	162	0.43
Government/Social/Institutional	14,996,849	0.12	72	0.19
Vacant Other	88,417,477	0.73	1,233	3.30
Subtotal Non-Residential	$1,596,211,519	13.19%	3,152	8.44%
Residential:				
Single Family Residence	$8,608,270,804	71.12%	26,522	71.05%
Condominium/Townhouse	522,910,958	4.32	1,601	4.29
Mobile Homes and Mobile Home Lots	231,278,371	1.91	2,219	5.94
2+ Residential Units/Apartments	557,170,613	4.60	222	0.59
Vacant Residential	587,619,894	4.85	3,614	9.68
Subtotal Residential	$10,507,250,640	86.81%	34,178	91.56%
TOTAL	$12,103,462,159	100.00%	37,330	100.00%

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

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2014–15, including the median and mean assessed valuation per parcel.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2014-15 Per Parcel Assessed Valuation of Single Family Homes

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	26,522	$8,608,270,804	$324,571	$296,616

2014-15 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	7	0.026%	0.026%	$113,377	0.001%	0.001%
$25,000 - $49,999	36	0.136	0.162	1,538,316	0.018	0.019
$50,000 - $74,999	134	0.505	0.667	8,495,330	0.099	0.118
$75,000 - $99,999	136	0.513	1.180	11,795,835	0.137	0.255
$100,000 - $124,999	113	0.426	1.606	12,666,329	0.147	0.402
$125,000 - $149,999	254	0.958	2.564	35,517,188	0.413	0.815
$150,000 - $174,999	850	3.205	5.769	139,808,064	1.624	2.439
$175,000 - $199,999	1,557	5.871	11.639	293,259,364	3.407	5.845
$200,000 - $224,999	1,966	7.413	19.052	418,624,870	4.863	10.709
$225,000 - $249,999	2,617	9.867	28.919	621,793,902	7.223	17.932
$250,000 - $274,999	3,086	11.636	40.555	809,688,195	9.406	27.338
$275,000 - $299,999	2,876	10.844	51.399	826,052,950	9.596	36.934
$300,000 - $324,999	2,806	10.580	61.979	874,118,992	10.154	47.088
$325,000 - $349,999	2,539	9.573	71.552	854,919,531	9.931	57.019
$350,000 - $374,999	1,932	7.285	78.836	698,728,500	8.117	65.136
$375,000 - $399,999	1,466	5.527	84.364	566,426,280	6.580	71.716
$400,000 - $424,999	1,003	3.782	88.146	412,729,063	4.795	76.511
$425,000 - $449,999	666	2.511	90.657	290,160,331	3.371	79.882
$450,000 - $474,999	332	1.252	91.909	152,629,005	1.773	81.655
$475,000 - $499,999	223	0.841	92.749	108,739,946	1.263	82.918
$500,000 and greater	1,923	7.251	100.000	1,470,465,436	17.082	100.000
Total	26,522	100.000%		$8,608,270,804	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2014-15 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Largest 2014-15 Local Secured Taxpayers

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	Percent of Total[1]
1.	Murrieta 492	Apartments	$58,277,899	0.48%
2.	Arbors at California Oaks Prop Owner	Apartments	53,482,975	0.44
3.	24850 Hancock Avenue	Apartments	50,783,978	0.42
4.	FG Murrieta Senior Apartments	Assisted Living	46,620,700	0.39
5.	Universal Health Services of Rancho Springs	Commercial	46,512,506	0.38
6.	Target Corp.	Commercial	45,825,009	0.38
7.	Eagle Glen Apartments	Apartments	42,549,375	0.35
8.	TKG Murrieta Plaza	Commercial	39,000,000	0.32
9.	Oleanders Capital Group	Commercial	34,881,000	0.29
10.	MGP IX Prop	Commercial	34,825,499	0.29
11.	Camden USA Inc.	Assisted Living	32,125,457	0.27
12.	Murrieta Spectrum	Commercial	31,318,146	0.26
13.	Crossroads Murrieta Partners	Commercial	29,647,667	0.24
14.	Wal Mart Realty Co.	Commercial	25,532,576	0.21
15.	Alta Murrieta	Apartments	23,285,250	0.19
16.	Winchester Creek Development	Apartments	22,630,068	0.19
17.	Centro Watt Prop Owner II	Commercial	20,589,978	0.17
18.	Crescent Heights Development	Apartments	20,377,279	0.17
19.	CP Sierra Vista Mur	Commercial	20,266,494	0.17
20.	Murrieta 144 Apartments	Apartments	19,611,871	0.16
			$698,143,727	5.77%

[1] 2014-15 Local Secured Assessed Valuation: $12,103,462,159.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2015 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2015 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2015 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 82-016). This Tax Rate Area comprises approximately 5.75% of the total fiscal year 2014-15 assessed value of the District.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 82-016)
Fiscal Years 2010-11 Through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Murrieta Valley Unified School District	0.09221	0.11865	0.12238	0.12272	0.11699
Metropolitan Water District	0.00370	0.00370	0.00350	0.00350	0.00350
Total	$1.09591	$1.12235	$1.12588	$1.12622	$1.12049
Rancho California Water District	$0.50000	$0.50000	$0.50000	$0.50000	$0.50000
Total Land Only	$0.50000	$0.50000	$0.50000	$0.50000	$0.50000

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2015 New Money Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the November 4, 20104 election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2015 New Money Bonds, the District projects that the maximum tax rate required to repay the Series 2015 New Money Bonds and all other outstanding bonds approved at the November 4, 2014 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2015 New Money Bonds in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special ad valorem taxes for voter-approved indebtedness, including the Series 2015 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. 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 on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The County secured roll tax charges and corresponding delinquencies with respect to property located in the District for the five year period from 2009-10 through 2013-14 are set forth in the following table.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2009-10 Through 2013-14

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent (As of June 30)	Percentage Delinquent (As of June 30)
2009-10	$9,239,012.17	$483,542.53	5.23%
2010-11	9,838,489.84	357,960.36	3.64
2011-12	12,533,568.16	281,760.68	2.25
2012-13	12,804,958.61	255,252.68	1.99
2013-14	13,448,957.14	182,779.50	1.36

(1) Debt service levy only.
Source: California Municipal Statistics, Inc.

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

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

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors of a county orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective May 1, 2015 for debt issued as of April 30, 2015. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two 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 three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement Of Direct And Overlapping Bonded Debt
As of April 30, 2015

2014-15 Assessed Valuation: $12,315,550,868

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable	Debt as of 5/1/2015
Metropolitan Water District	0.521%	$575,288
Murrieta Valley Unified School District	100.000	153,390,645(1)
Eastern Municipal Water District Improvement District Nos. 22, 23 & U8	7.026-96.573	2,159,514
Murrieta Valley Unified School District Community Facilities Districts	100.000	112,593,675
City of Murrieta Community Facilities Districts	100.000	94,065,000
Western Municipal Water District Community Facilities Districts	100.000	6,635,000
Riverside County Community Facilities Districts	100.000	3,395,000
Other Community Facilities Districts	100.000	33,403,298
1915 Act Bonds (Estimate)	Various	7,469,176
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$413,686,596
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	5.455%	$35,500,966
Riverside County Pension Obligations	5.455	17,481,639
Riverside County Board of Education Certificates of Participation	5.455	100,099
Mt. San Jacinto Community College District General Fund Obligations	17.108	1,934,059
Murrieta Valley Unified School District Certificates of Participation	100.000	20,625,000
City of Murrieta General Fund Obligations	91.746	7,578,220
City of Temecula Certificates of Participation	0.011	2,570
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$83,222,553
Less: Riverside County supported obligations		(460,307)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$82,762,246
OVERLAPPING TAX INCREMENT DEBT:		
Murrieta Redevelopment Agency	72.701%	$34,453,004
Riverside County Redevelopment Agency Project Area 1 and Combined Area	4.746 & 0.566	3,892,378
TOTAL OVERLAPPING TAX INCREMENT DEBT		$38,345,382
GROSS COMBINED TOTAL DEBT		$535,254,531(2)
NET COMBINED TOTAL DEBT		$534,794,224

(1) Excludes the Series 2015 Bonds; includes the Prior Bonds. Excludes accreted interest.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt ($153,390,645)	1.25%
Total Direct and Overlapping Tax and Assessment Debt	3.36%
Combined Direct Debt ($174,015,645)	1.41%
Gross Combined Total Debt	4.35%
Net Combined Total Debt	4.34%

Ratios to Redevelopment Incremental Valuation ($738,607,540):

Total Overlapping Tax Increment Debt	5.19%

Source: California Municipal Statistics, Inc.

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Complete copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2015 Bonds is less than the amount to be paid at maturity of such Series 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2015 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2015 Bonds is the first price at which a substantial amount of such maturity of the Series 2015 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2015 Bonds accrues daily over the term to maturity of such Series 2015 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2015 Bonds. Beneficial Owners of the Series 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2015 Bonds is sold to the public.

Series 2015 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2015 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2015 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2015 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2015 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 Bonds. Accordingly, the opinions of Bond Counsel are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2015 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2015 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2015 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of each series of the Series 2015 Bonds and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to each series of the Series 2015 Bonds at the time of issuance of such series substantially in the forms set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and by Atkinson, Andelson, Loya, Ruud & Romo, Cerritos, California, as District Counsel. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California, as Underwriter's counsel.

Legality for Investment in California

Under the provisions of the California Financial Code, each series of the Series 2015 Bonds is a legal investment for commercial banks in California to the extent that the Series 2015 Bonds, in the informed opinion of the bank, is prudent for the investment of funds of depositors, and, under provisions of the California Government Code, each series of the Series 2015 Bonds is eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of each series of the Series 2015 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2014-15 fiscal year (which is due no later than April 1, 2016) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – "FORMS OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the preceding five years, [to come].

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2015 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2015 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of County or District officers who will execute the Series 2015 Bonds or County or District officials who will sign certifications relating to the Series 2015 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2015 Bonds.

The District is occasionally subject to lawsuits and claims. 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 financial position or operations of the District.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to retire the Prior Bonds to be refunded will be verified by Causey Demgen & Moore, P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Ratings

Moody's Investors Services ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's") have assigned their respective underlying ratings of "____" and "____" to each series of the Series 2015 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The ratings reflect only the view of the rating agency furnishing the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Series 2015 Bonds. There is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2015 Bonds. The Underwriter and the District have not undertaken any responsibility after the offering of the Series 2015 Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to each series of the Series 2015 Bonds, and will receive compensation from the District contingent upon the sale and delivery of each series of the Series 2015 Bonds. Payment of the fees and expenses of Piper Jaffray & Co., the District's financial advisor, is also contingent upon the sale and delivery of the Series 2015 Bonds.

Underwriting

Series 2015 New Money Bonds. The Series 2015 New Money Bonds are being purchased for reoffering to the public by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on __________, 2015, by and between the District and the Underwriter (the "New Money Purchase Agreement"). The Underwriter has agreed to purchase the Series 2015 New Money Bonds at a price of $__________. The Series 2015 New Money Purchase Agreement provides that the Underwriter will purchase all of the Series 2015 New Money Bonds, subject to certain terms and conditions set forth in the Series 2015 New Money Purchase Agreement, including the approval of certain legal matters by counsel.

Series 2015 Refunding Bonds. The Series 2015 Refunding Bonds are being purchased for reoffering to the public by the Underwriter pursuant to the terms of a bond purchase agreement executed on __________, 2015, by and between the District and the Underwriter (the "Series 2015 Refunding Purchase Agreement"). The Underwriter has agreed to purchase the Series 2015 Refunding Bonds at a price of $__________. The Series 2015 Refunding Purchase Agreement provides that the Underwriter will purchase all of the Series 2015 Refunding Bonds, subject to certain terms and conditions set forth in the Series 2015 Refunding Purchase Agreement, including the approval of certain legal matters by counsel.

General. The Underwriter may offer and sell the Series 2015 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2015 Bonds. Quotations from and summaries and explanations of the Series 2015 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2015 Bonds.

The District has duly authorized the delivery of this Official Statement.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

By: ________________________________

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Murrieta Valley Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) of or interest on the Series 2015 Bonds is payable from the general fund of the District or from State revenues. Each series of the Series 2015 Bonds is payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Riverside on property within the District in an amount sufficient for the timely payment of principal (or, in the case of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds, accreted value) of and interest on each series of the Series 2015 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was formed in 1885 as the Murrieta School District and on July 1, 1989, the District completed proceedings to reorganize as a unified school district within the same boundaries under the name Murrieta Valley Unified School District. The District provides public education within a 129 square mile area including most of the City of Murrieta and a portion of unincorporated areas of the County of Riverside, California (the "County").

The District currently operates 11 kindergarten-through-fifth-grade elementary schools, four sixth-through-eighth-grade middle schools, three ninth-through-twelfth-grade high schools, one ninth through twelfth grade alternative education school and one independent study school. The District estimates that total current enrollment is approximately 22,653 students.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Murrieta Valley Unified School District, 41870 McAlby Court, Murrieta, California 92562, Attention: Assistant Superintendent, Facilities and Operational Services.

Board of Education

The governing board of the District is the Board of Education of the Murrieta Valley Unified School District (the "Board"). The Board consists of five members who are elected at large to overlapping four-year terms at elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining board members and if there is no majority by a special election. Each December, the Board elects a President and a Clerk to serve one-year terms. The name, office and the month and year of the expiration of the term of each member of the Board is described below.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)

Board of Education

Name	Office	Term Expires
Kenneth C. Dickson	President	November 2016
Barbara Muir	Clerk	November 2016
Robin Crist	Member	November 2018
Paul F. Diffley III	Member	November 2016
Kris Thomasian	Member	November 2018

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Patrick Kelley, Superintendent. Mr. Kelley has been worked in education since 1988. He has served as a middle school teacher, Coordinator of Student Services, Elementary School Assistant Principal, Elementary School Principal, Director of Human Resources, Assistant Superintendent of Human Resources, Deputy Superintendent and as of September 27, 2012, the Superintendent of the District. He has a Bachelor of Arts in International Relations from the University of San Diego and a Master of Science Degree in Educational Administration from Purdue University. He has conducted post-masters coursework at Azusa Pacific University and University of LaVerne. He is also an Adjunct Professor of Educational Administration with Concordia University.

Stacy Coleman, Assistant Superintendent, Business Services. Mr. Coleman joined the District on April 2, 2001. Mr. Coleman has more than 25 years experience as a Chief Business Official for three school districts and more than 30 years of total school district experience. Mr. Coleman earned his Bachelor of Science degree in Business Administration from Oregon State University and his Master of Education in Educational Management from the University of La Verne.

William C. Olien, Assistant Superintendent, Facilities and Operational Services. Mr. Olien has served as the Assistant Superintendent, Facilities and Operational Services since 2004. He joined the District in 1998 as the Director of Educational Technology and Information Systems. Mr. Olien worked for three years as the Director of Technology Services for the San Dieguito Union High School District before coming to the District. Prior to working in education, Mr. Olien served seven years as an officer, with the rank of Captain, in the United States Air Force managing multimillion dollar communication and computer system projects. Mr. Olien earned his Bachelor of Science degree in Electrical Engineering from Loyola Marymount University and his Master of Science degree in Management Science/Information Systems from the State University of New York at Binghamton.

Pamela Jo Wilson, Assistant Superintendent, Educational Services. Mrs. Wilson has been a public school educator for the past 33 years. Mrs. Wilson joined the District first in 1997, and after a brief relocation to the north and southeastern areas of the country, she returned to the District in 2000. Mrs. Wilson has served in several capacities of the District. She was an English teacher at Murrieta Valley High School, an assistant principal at Murrieta Valley High School and Thompson Middle School and she was one of the inaugural administrators at Vista Murrieta High School where she served as deputy principal. In 2007, Mrs. Wilson was selected to serve as Director of Human Resources and in 2012, she was promoted to Assistant Superintendent, Human Resources. In December 2014, Mrs. Wilson was appointed as the Assistant Superintendent, Educational Services. Pamela Wilson holds a Bachelor's Degree in English Literature from California State University at Long Beach and a Master's Degree in Educational Administration from Azusa Pacific University. She is an Adjunct Professor of Educational Administration with Concordia University.

Darren K. Daniel, Assistant Superintendent, Human Resources. Mr. Daniel has worked in education for over 20 years. He has worked in three school districts, serving as a science and health teacher, coach and activities director. Mr. Daniel joined the District on July 1, 2002 as an assistant principal. He assisted in the opening of Vista Murrieta High School in 2003 and assumed the position of principal in 2006. Mr. Daniel served as the Executive Director of Secondary Education in 2013 and now Assistant Superintendent, Human Resources as of February 2015. Prior to coming to the District, Mr. Daniel earned his Bachelor's Degree from the University of Arizona and his Master's Degree in Educational Leadership from Azusa Pacific University. He has conducted post-masters coursework at Point Loma University.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "–Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "– Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects to receive approximately 67% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local ad valorem tax), projected at approximately \$122.2 million in fiscal year 2014-15. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "–Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFF" and "–Other District Revenues – Other State Revenues" below). As a result, any future decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

The State budget for fiscal year 2013-14 contained a new formula for funding the school finance system (the "Local Control Funding Formula" or "LCFF"). The LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

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

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

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

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although State budgets have been balanced in more recent years (see "– *2014-15 State Budget*"), the State's response to fiscal difficulties in prior years has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2015 Bonds, and the District takes no responsibility for informing owners of the Series 2015 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2014-15 State Budget. The Governor signed the fiscal year 2014-15 State budget (the "2014-15 State Budget") on June 20, 2014. The 2014-15 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years, setting aside reserves and implementing a funding plan for the State Teachers' Retirement System ("CalSTRS"). The 2014-15 State Budget provides for $109.4 billion in revenues and transfers for fiscal year 2014-15 (which amount includes a $3.9 billion prior year general fund balance from fiscal year 2013-14), $108.0 billion in expenditures and a balance of $450 million in the general fund traditional reserve and $1.6 billion in a rainy day fund (the "Rainy Day Fund"). Revenues and expenditures for fiscal year 2013-14, as revised under the 2014-15 State Budget, were $104.6 billion (which amount includes a $2.4 billion prior year general fund balance from fiscal year 2012-13) and $100.7 billion, respectively.

The 2014-15 State Budget projects that budgetary debt, which was approximately $35 billion at the end of fiscal year 2010-11 and $26 billion at the end of fiscal year 2013-14, will be eliminated by the end of fiscal year 2017-18. For fiscal year 2014-15, specifically, the 2014-15 State Budget dedicates to paying down more than $10 billion of budgetary debt, including approximately $5 billion to pay down the deferral of payments to schools.

As it relates to K-12 education, the 2014-15 State Budget provides total funding of $76.6 billion ($45.3 billion general fund and $31.3 billion other funds). The 2014-15 State Budget provides Proposition 98 funding for all K-14 education of $60.9 billion for fiscal year 2014-15. Such amount, when combined with an aggregate increase of $4.4 billion from fiscal years 2012-13 and 2013-14 provided for in the 2014-15 State Budget, results in an increase of $10 billion in funding for K-14 education. The 2014-15 State Budget notes that Proposition 98 funding for K-12 education has grown by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Certain budget adjustments for K-12 programs include the following:

- <u>Local Control Funding Formula</u>. An increase of $4.75 billion in Proposition 98 general funds to continue the State's transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

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

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

- <u>K-12 Mandates</u>. An increase of $400.5 million in one-time Proposition 98 general funds to reimburse K-12 local educational agencies for the costs of State-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- <u>K-12 High-Speed Internet Access</u>. An increase of $26.7 million in one-time Proposition 98 general funds for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for successful Common Core implementation. Based on an assessment by the K-12 High Speed Network, these funds will be targeted to those local educational agencies most in need of help with securing required internet connectivity and infrastructure to implement the new computer adaptive tests under Common Core.

- <u>Career Technical Education Pathways Program</u>. An increase of $250 million in one-time Proposition 98 general funds to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the State Budget Act for fiscal year 2012-13, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

Rainy Day Fund. The 2014-15 State Budget proposed certain constitutional amendments to the Rainy Day Fund on the November 2014 ballot, which proposition was approved by the voters. Such constitutional amendments (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 ("SB 858") which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions became effective upon the State voters approval of the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance ("A.D.A.") of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The District's original adopted budget for fiscal year 2014-15 projected total expenditures and other financing uses of approximately $181.0 million, 3% of which is approximately $5.4 million. The estimated maximum amount permitted under SB 858 in fiscal year 2014-15, if SB 848 were in effect for such fiscal year, would be approximately $10.8 million. The District's original adopted budget for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately $6.5 million, which is less than the maximum that would be permitted under SB 858 if SB 858 were in effect. The District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Series 2015 Bonds as and when due.

AB 1469. As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. See "– Retirement Benefits – CalSTRS" herein for more information about CalSTRS and AB 1469.

The complete 2014-15 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

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

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "– Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). On December 29, 2011, the Court rendered its decision in

Matosantos upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos*. On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

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

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

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

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

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

Despite the recent budgetary improvements as compared to recent years, the 2015-16 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2015-16 Proposed State Budget observes several risks that the State should plan for, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market in fiscal year 2015-16, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure.

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

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

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

- K-12 Deferrals. An increase of almost $900 million in one-time Proposition 98 general funds in fiscal year 2014-15 to eliminate all remaining outstanding deferral debt for K-12. Inter-year deferrals for K-12 had reached a high of $9.5 billion in fiscal year 2011-12.

- Emergency Repair Program. An increase of $273.4 million in one-time Proposition 98 general fund resources for the Emergency Repair Program. This funding will retire the state's facilities funding obligation under the terms of an existing lawsuit settlement agreement.

- School District Local Control Funding Formula. Additional growth of approximately $4 billion in Proposition 98 general funds for school districts and charter schools in 2015-16, an increase of 8.7% from fiscal year 2014-15.

- County Offices of Education Local Control Funding Formula. An increase of $109,000 Proposition 98 general funds to support a cost-of-living adjustment for those county offices of education at their target funding level under the Local Control Funding Formula.

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

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

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

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

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

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

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

LAO Overview of 2015-16 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2015-16 Proposed State Budget entitled "The 2015-16 Budget: Overview of the Governor's Budget" on January 13, 2015 (the "2015-16 Proposed Budget Overview"), in which the LAO commends the State for preserving budgetary balance. The LAO notes that such balance has been facilitated by the stock market, increased revenues from personal and corporate income taxes, and the Governor's reluctance to propose significant new non-Proposition 98 spending commitments. Further, the LAO is generally supportive of the Governor's priorities and the 2015-16 Proposed State Budget's emphasis on debt repayment, which the LAO expects to place the State on even stronger fiscal footing. The LAO also notes that fiscal year 2014-15 revenues could be significantly higher than the projections in the 2015-16 Proposed State Budget. Nevertheless, what might happen to State revenues thereafter is uncertain and the LAO warns that budget vulnerability remains and that cautious budgetary decision making is necessary. For example, the LAO suggests that weak growth in an upcoming year could make it difficult to sustain the State's spending level, particularly, the higher level of school spending, and therefore, larger reserves would be desirable.

With respect to the Proposition 98 budget plan in the 2015-16 Proposed State Budget, the LAO states that the Proposition 98 budget plan provides a reasonable mix of programmatic funding increases and pay downs of outstanding obligations. The LAO commends the proposal to eliminate K-14 budgetary deferrals, and recognizes that the use of new funding for one-time purposes helps the State minimize any future disruption in school funding as a result of revenue volatility or an economic slowdown. The LAO, however, observes that the Proposition 98 minimum guarantee in fiscal years 2014-15 and 2015-16 will be sensitive to changes in general fund revenues and could experience large swings over the coming months. Thus, the LAO cautions against committing all available 2015-16 Proposition 98 funds to ongoing purposes, as a sustained economic slowdown could force the State to cut programs and potentially backpedal in its implementation of the Local Control Funding Formula.

The 2015-16 Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

May Revision to Proposed 2015-16 State Budget. On May 14, 2015, the Governor released the "Governor's Budget May Revision 2015-16" (the "May Revise"), which outlines proposed revisions to the 2015-16 Proposed State Budget. The May Revise projects a net increase of $6.7 billion in expected revenues as compared to the 2015-16 Proposed State Budget. General fund revenues are forecast to exceed the 2015-16 Proposed State Budget levels by $700 million in fiscal year 2013-14, $3.3 billion in fiscal year 2014-15 and $1.7 billion in fiscal year 2015-16. Under the May Revise, total general fund revenues are now projected to be $111.3 billion and $115 billion (including the amounts proposed to be transferred to the Rainy Day Fund) for fiscal years 2014-15 and 2015-16, respectively. However, projected expenditures have also increased under the May Revise and offset the projected additional revenues. For example, total general fund expenditures are now projected to be $114.5 billion in fiscal year 2014-15 and $115.3 billion in fiscal year 2015-16 (as compared to $111.7 billion and $113 billion, respectively, in the 2015-16 Proposed State Budget).

The improved budget forecast since the Governor's 2015-16 Proposed State Budget is a result of strong cash trends through April of 2015. Cash tax receipts are up approximately $3.2 billion over the forecast and cash data suggests that personal income tax receipts are up $2.7 billion, corporation tax receipts are up nearly $250 million, and sales and use tax (sales tax) receipts are up $230 million. The State is steadily paying down budgetary debts accumulated over the past decade and a half, and in the next three months alone, the State plans to repay the remaining $1 billion in deferrals to schools and community colleges and make the final payment on the $15 billion in Economic Recovery Bonds used to cover budget deficits dating back to 2002.

Although the May Revise predicts continued economic growth over the next four years, it notes that the current expansion has already exceeded the average post-war expansion by over a year. Risks to the economy include a correction in the stock market and a weaker global economy. The May Revise maintains the principal of using higher revenues from capital gains to pay down debt and prepare for the inevitable next recession. By the end of the year, the State's Proposition 2 Rainy Day Fund will have a total balance of $3.5 billion. The May Revise also pays down an additional $633 million in debts and liabilities (for a total of $1.9 billion) from Proposition 2 funds.

For K-12 schools, funding levels will increase by more than $3,000 per student in fiscal year 2015-16 over fiscal year 2011-12 levels. The May Revise proposes to utilize a combination of one-time and ongoing resources to pay down debts owed to schools and invest significantly in the Local Control Funding Formula. Rising State revenues allow the State to substantially increase funding for the formula by providing an additional $2.1 billion to the $4 billion allocated in the 2015-16 Proposed State Budget. When the formula was adopted in fiscal year 2013-14, funding was expected to be $47 billion in fiscal year 2015-16. The May Revise provides a formula instead allocating $53.1 billion this coming year.

The May Revise includes total funding of $83 billion for K-12 education programs. Proposition 98 funding obligations are projected to increase across fiscal years 2013-14 through 2015-16 driven by the changes in projected general fund revenues. Under the May Revise, as compared to the 2015-16 Proposed State Budget, Proposition 98 funding is projected to increase by $241 million in fiscal year 2013-14, $3.1 billion in fiscal year 2014-15 and $2.7 billion in fiscal year 2015-16 due to significant growth in general fund revenues. As a result of such changes, the revised Proposition 98 guarantee levels for fiscal years 2013-14, 2014-15 and 2015-16 are projected to be $58.9 billion, $66.3 billion and $68.4 million, respectively. The Proposition 98 maintenance factor—an indicator of the past reductions made to schools and community colleges—totaled nearly $11 billion as recently as fiscal year 2011-12. Under the May Revise, this amount is reduced to $772 million.

Certain budget adjustments for K-12 programs under the May Revise include the following:

- Career Technical Education. The 2015-16 Proposed State Budget submitted $250 million in one-time Proposition 98 funding in each of the next three years to support a transitional Career Technical Education Incentive Grant Program. School districts, county offices of education, and charter schools receiving funding from the program would be required to provide a dollar-for-dollar match each year. The May Revise proposes an additional $150 million in fiscal year 2015-16, an additional $50 million in fiscal year 2016-17, and a reduction of $50 million in fiscal year 2017-18.

- Quality Education Investment Act Transition Funding. An increase of $4.6 million one-time Proposition 98 funding to provide half of the final apportionment of Quality Education Investment Act ("QEIA") funding to selected school districts in fiscal year 2015-16 that do not qualify for concentration grant funding under the Local Control Funding Formula. This funding will help ease the transition off QEIA funding for districts with isolated concentrations of English learners and students who qualify for free or reduced-priced meals.

- Average Daily Attendance. An increase of $94.4 million in fiscal year 2014-15 and $173.5 million in fiscal year 2015-16 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of an increase in 2013-14 A.D.A., which drives projections of A.D.A. in both 2014-15 and 2015-16.

- Proposition 39. A decrease in the amount of California Clean Energy Jobs Act (Proposition 39) energy efficiency funds available to K-12 schools in fiscal year 2015-16 by $6.7 million to $313 million to reflect reduced revenue estimates.

- Local Property Tax Adjustments. An increase of $83.9 million in Proposition 98 general funds in fiscal year 2014-15 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.

- Categorical Program Growth. An increase of $18.4 million in Proposition 98 general funds for selected categorical programs based on updated estimates of projected A.D.A. growth.

- Cost-of-Living Adjustments. A decrease of $22.1 million in Proposition 98 general funds to selected categorical programs to reflect a change in the cost-of-living factor from 1.58% in the 2015-16 Proposed State Budget to 1.02% at the May Revise.

- K-12 Mandates Block Grant. An increase of $1.2 million in Proposition 98 general funds to reflect greater school district participation in the mandates block grant. This additional funding is required to maintain statutory block grant funding rates assuming 100% program participation.

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

LAO Overview of the May Revise. The LAO released its report on the May Revise on May 18, 2015 (the "May Revise Overview"). The May Revise Overview provides that the continuing commitment to pay down debts and build a reserve under the May Revise is sound and a careful approach to State finances. The LAO projects $3.2 billion more in general fund revenues than the Governor across fiscal years 2013-14 through 2015-16. Specifically, when compared to the Governor's projections in the May Revise, the LAO projects slightly more general fund revenues in fiscal years 2013-14 and 2014-15 and $3 billion more general fund revenues in fiscal year 2015-16 (primarily as a result of differences in the projection of personal income tax realizations).

The May Revise Overview, as it relates to K-12 education, provides that the Proposition 98 spending package in the May Revise is sound and reasonable. The LAO, however, expresses some concern over new Proposition 98 spending proposals in the May Revise as it contains little cushion to insulate ongoing K-14 programs from volatile State revenues. Of the $68.4 billion in proposed Proposition 98 spending counting toward the 2015-16 guarantee, the Governor designates only $600 million for one-time purposes. The LAO recommends waiting later in the fiscal year for additional revenues to ultimately materialize and then providing additional Proposition 98 funding to one-time priorities.

The May Revise Overview provides other comments and recommendations with regards to specific policy proposals. For example, the LAO notes the Governor's proposed distribution of mandates backlog funding is inefficient. Approximately 91% of remaining claims are associated with high school and unified districts but only 79% of backlog funds under Governor's plan would go to these entities. The LAO recommends, targeting K-12 payments more toward high schools and allocating $3.3 billion of $3.6 billion to unified school districts and high school districts on the basis of A.D.A.

The May Revise Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

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

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

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

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

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

- A Base Grant for each local education agency, equivalent to $7,643 per unit of A.D.A. in fiscal year 2013-14. Such Base Grant per unit of A.D.A., adjusted by grade span variation and to be adjusted annually for cost-of-living, is as follows: $6,845 for grades K-3, $6,947 for grades 4-6, $7,154 for grades 7-8 and $8,289 for grades 9-12. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

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

- An additional concentration grant of up to 50% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected $25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and 6 cents will go to concentration grants.

Under the new formula, for "basic aid districts" (now, "community funded districts"), local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan ("LCAP"). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Attendance and Base Revenue Limit. The following table sets forth the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2010-11 through 2012-13 for K-12. The A.D.A. and enrollment numbers reflected in the following table include special education but excludes adult education.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Average Daily Attendance, Enrollment And Funded Base Revenue Limit
Fiscal Years 2010-11 Through 2012-13

Fiscal Year	Average Daily Attendance(1)	Enrollment(2)	Funded Base Revenue Limit Per Unit of A.D.A
2010-11(3)	21,250	22,363	5,358.18
2011-12(4)	21,752	22,757	5,299.55
2012-13(5)	21,973	23,051	5,352.86

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) Reflects enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
Source: Murrieta Valley Unified School District.

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students"), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 and 2014-15, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education but excludes adult education.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 Through 2014-15

		A.D.A./Base Grant					Enrollment(5)	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percent of EL/LI Students
2013-14	A.D.A.(2):	5,778.68	4,779.88	3,576.86	7,879.21	22,014.63	23,023	35.55%
	Targeted Base Grant(3):	$7,675	$7,056	$7,266	$8,638	--	--	--
2014-15(1)	A.D.A.(2):	5,777.30	4,777.07	3,575.20	7,879.89	22,009.16	22,648	34.25%
	Targeted Base Grant(3)(4):	$7,740	$7,116	$7,328	$8,712	--	--	--

(1) Figures are projections.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14 and 2014-15.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students 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 school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Murrieta Valley Unified School District.

The District received approximately $135.9 million in aggregate revenues reported under LCFF sources in fiscal year 2013-14, and projects to receive approximately $150.3 million in aggregate revenues under the LCFF in fiscal year 2014-15 (or approximately 82.8% of its general fund revenues in fiscal year 2014-15). Such amount includes supplemental grants projected to be approximately $3.4 million in fiscal year 2014-15. The District does not expect to receive any concentration grants.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Local Sources of Education Funding

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

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "–Allocation of State Funding to School Districts: Local Control Funding Formula" herein for more information.

Local property tax revenues account for approximately 24% of the District's aggregate revenues reported under LCFF sources, and are projected to be approximately $36 million, or 19.9% of total general fund revenues in fiscal year 2014-15.

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 4.7% (or approximately $8.5 million) of the District's general fund projected revenues for fiscal year 2014-15.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 4.2% (or approximately $7.7 million) of the District's general fund projected revenues for fiscal year 2014-15. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $3.9 million for fiscal year 2014-15.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprise approximately 8.3% (or approximately $15.0 million) of the District's general fund projected revenues for fiscal year 2014-15.

Significant Accounting Policies and Audited Financial Reports

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

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California, for fiscal years 2009-10 through 2013-14.

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2009-10 through 2013-14

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
REVENUES					
Revenue Limit/LCFF Sources[(1)]	$ 107,305,773	$114,786,436	$117,305,087	$118,994,781	$135,852,032
Federal sources	11,342,714	16,643,049	7,096,831	7,672,475	7,261,925
Other State sources	20,977,710	19,217,575	20,329,889	20,651,424	16,214,443
Other local sources	13,712,074	13,552,195	13,752,410	13,428,860	13,761,602
Total Revenues	153,338,271	164,199,255	158,484,217	160,747,540	173,090,002
EXPENDITURES					
Current					
Instruction	105,050,987	105,634,123	110,609,404	105,208,265	115,831,475
Instruction-related activities:					
Supervision of instruction	2,430,131	2,340,960	2,176,831	2,440,365	3,000,687
Instructional library, media and technology	1,823,373	1,639,129	1,556,336	1,433,803	1,581,653
School site administration	10,291,033	10,183,033	10,167,266	10,109,633	10,398,172
Pupil Services:					
Home-to-school transportation	3,126,941	3,248,713	3,332,797	3,562,350	3,461,338
Food services	161	97	188	-	-
All other pupil services	9,787,082	9,442,577	9,412,648	9,543,240	9,979,856
Administration:					
Data processing	1,120,261	1,266,112	1,303,688	1,409,651	1,418,670
All other administration	5,310,370	6,534,707	6,656,724	6,794,006	6,829,371
Plant services	17,147,960	16,956,771	16,950,883	16,067,424	17,079,364
Facility acquisition and construction	237,421	39,703	30,588	33,325	224,537
Ancillary services	1,792,111	1,560,250	1,556,560	1,398,078	1,768,890
Community services	386,342	345,737	299,204	297,636	279,581
Enterprise services	-	-	-	13,848	25,521
Other outgo	5,218	12,458	13,888	2,206	113,976
Debt service					
Principal	613,019	359,982	377,751	316,818	113,707
Interest and other	536,005	242,268	233,551	427,282	306,744
Total Expenditures	159,658,415	159,806,620	164,678,307	159,057,930	172,413,542
Excess (Deficiency) Of Revenues Over Expenditures	(6,320,144)	4,392,635	(6,194,090)	1,689,610	676,460
OTHER FINANCING SOURCES(USES)					
Transfers in	1,000,000	635,000	-	-	
Other sources	-	-	-	-	-
Transfers out	(866,438)	(1,109,149)	(1,167,711)	(821,470)	-
Other uses	-	-	-	-	(727,248)
Net Financing Sources (Uses)	133,562	(474,149)	(1,167,711)	(821,470)	(727,248)
NET CHANGE IN FUND BALANCES	(6,186,582)	3,918,486	(7,361,801)	868,140	(50,788)
Fund Balance—Beginning	23,256,624	17,070,042	20,988,528	13,626,727	14,494,867
Fund Balance—Ending	$ 17,070,042	$ 20,988,528	$ 13,626,727	$14,494,867	$14,444,079

(1) The LCFF was implemented beginning in fiscal year 2013-14.

Source: Murrieta Valley Unified School District Audited Financial Reports for fiscal years 2009-10 through 2013-14.

The following table shows the general fund balance sheet of the District for fiscal years 2009-10 through 2013-14.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Summary of General Fund Balance Sheet
Fiscal Years 2009-10 Through 2013-14

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
ASSETS					
Deposits and investments	$ 11,832,545	$10,761,394	$3,953,837	$13,697,846	$20,627,026
Receivables	19,082,398	27,377,334	36,349,647	18,607,333	23,465,867
Due from other funds	626,675	881,766	878,849	749,833	817,305
Prepaid expenses	-	-	-	-	-
Total Assets	$ 31,541,618	$ 39,020,494	$ 41,182,333	$33,055,012	$ 44,910,198
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 3,584,341	$ 5,038,817	$ 3,831,152	$4,464,057	$ 18,484,397
Due to Other Funds	23,839	266,720	2,826,960	25,948	137,661
Other Current Liabilities	9,855,000	12,640,000	20,880,000	13,850,000	11,165,000
Deferred Revenue	1,008,396	86,429	17,494	220,140	679,061
Total Liabilities	14,471,576	18,031,966	27,555,606	18,560,145	30,466,119
FUND BALANCES[2]					
Nonspendable	-	15,000	15,000	15,000	15,000
Restricted	-	3,360,479	1,856,978	3,173,658	6,009,583
Committed	-	-	-	-	-
Assigned	-	7,976,300	1,511,683	2,072,509	1,058,226
Unassigned	-	9,636,749	10,243,066	9,233,700	7,361,270
Reserved for:					
Revolving Cash	15,000	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Legally Restricted Balances	3,645,929	-	-	-	-
Unreserved:					
Designated	6,956,540	-	-	-	-
Undesignated, reported in:					
General Fund	6,452,573	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total Fund Balances	17,070,042	20,988,528	13,626,727	14,494,867	14,444,079
Total Liabilities and Fund Balances	$ 31,541,618	$ 39,020,494	$ 41,182,333	$33,055,012	$44,910,198

[1] GASB 54, which became effective beginning in fiscal year 2010-11, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "Committed," "Assigned" and "Unassigned."
Source: Murrieta Valley Unified School District Audited Financial Reports for fiscal years 2009-10 through 2013-14.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of Riverside Superintendent of Schools.

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

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. Except for the change from positive to qualified certification for its second interim report in fiscal year 2011-12 and qualified certifications for its first interim report and second interim report in fiscal year 2012-13, the

District has not received a qualified certification in the last five years. The District has never received a negative certification in connection with any of its interim reports.

The following table summarizes the District's adopted general fund budgets for fiscal years 2012-13 through 2014-15, and unaudited actuals for fiscal years 2012-13 and 2013-14, and second interim report for fiscal year 2014-15.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Fund Budgets for Fiscal Years 2012-13 Through 2014-15,
Unaudited Actuals for Fiscal Years 2012-13 and 2013-14 and
Second Interim Report for Fiscal Year 2014-15

	2012-13 Original Adopted Budget	2012-13 Unaudited Actuals(1)	2013-14 Original Adopted Budget	2013-14 Unaudited Actuals(1)	2014-15 Original Adopted Budget	2014-15 Second Interim Report(2)
REVENUES						
Revenue Limit/LCFF Sources(3)	$108,138,863.00	$118,994,780.13	$124,674,357.00	$135,852,030.16	$149,758,953.00	$150,311,972.00
Federal Revenue	6,596,716.00	7,672,475.24	7,030,448.00	7,261,923.81	7,226,504.00	8,490,689.00
Other State Revenue	14,544,045.00	16,315,775.47	20,193,521.00	11,761,320.83	6,558,310.00	7,664,820.00
Other Local Revenue	13,173,108.00	13,428,860.90	13,440,824.00	13,761,605.93	14,464,515.00	15,028,010.00
TOTAL REVENUES	$142,452,732.00	$156,411,891.74	165,339,150.00	$168,636,880.73	$178,008,282.00	$181,495,491.00
EXPENDITURES						
Certificated Salaries	75,202,537.00	80,014,776.28	85,747,381.00	87,646,866.37	92,655,258.00	93,349,485.00
Classified Salaries	25,539,481.00	26,793,045.81	29,225,892.00	28,906,357.71	30,843,178.00	31,010,480.00
Employee Benefits	29,249,224.00	29,274,469.79	30,863,873.00	30,187,956.31	33,906,863.00	33,083,928.00
Books and Supplies	5,259,687.00	4,756,050.12	4,806,960.00	6,463,053.76	6,594,497.00	7,514,321.00
Services, Other Operating Expenses	14,315,140.00	13,777,530.84	14,162,488.00	14,695,673.46	16,125,212.00	16,750,754.00
Capital Outlay	0.00	204,440.25	-	337,275.85	507,925.00	663,130.00
Other Outgo (excluding Transfers of Indirect Costs)	1,032,674.00	959,540.89	737,244.00	836,220.01	881,287.00	881,287.00
Other Outgo - Transfers of Indirect Costs	(459,947.00)	(446,858.68)	(527,275.00)	(512,609.06)	(563,023.00)	(556,263.00)
TOTAL EXPENDITURES	150,138,796.00	155,332,995.30	165,116,543.00	168,560,799.41	180,951,197.00	182,697,122.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	(7,686,064.00)	1,078,896.44	222,607.00	76,081.32	(2,942,915.00)	(1,201,631.00)
OTHER FINANCING SOURCES/USES:						
Interfund Transfers						
Transfers In	-	-	-	-	-	-
Transfers Out	(210,757.00)	(210,757.00)	(325,706.00)	(126,568.99)	-	-
Other Sources /Uses	-		-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER SOURCES/USES	(210,757.00)	(210,757.00)	(325,706.00)	(126,568.99)	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	(7,896,821.00)	868,139.44	(103,099.00)	(50,787.67)	(2,942,915.00)	(1,201,631.00)
Beginning Balance, July 1	$11,999,455.00	13,626,727.33	13,197,016.00	14,494,866.77	11,482,758.00	14,444,079.10
Ending Balance, June 30	$4,102,634.00	$14,494,868.77	$13,093,917.00	$14,444,079.10	$8,539,843.00	$13,242,448.10
Unrestricted Balance, June 30	$2,061,628.00	$11,321,208.92	$6,848,171.00	$8,434,495.94	$6,523,331.00	$9,057,435.94
Restricted Balance, June 30	$2,041,006.00	$3,173,657.85	$6,245,746.00	$6,009,583.16	$2,016,512.00	$4,185,012.16

(1) Total revenues and expenditures do not match the District's audited financial statements because the District does not include contributions to the State Teacher's Retirement System made by the State on behalf of the District in its internal financial reports, amounting to $4,335,648 and $4,453,122 in fiscal years 2012-13 and 2013-14, respectively. The District's audited financial statements include such amounts as revenues and expenditures.
(2) Figures are projections.
(3) The LCFF was implemented beginning in fiscal year 2013-14.
Source: District Adopted general fund budgets for fiscal years 2012-13, 2013-14 and 2014-15; unaudited actuals for fiscal years 2012-13 and 2013-14; and second interim report for fiscal year 2014-15.

District Debt Structure

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General Obligation Bonds[(1)(2)]	$194,026,115	$3,678,735	$8,075,000	$189,629,850	$8,382,472
Premium	1,313,866	-	88,457	1,225,409	-
2009 School Facility Bridge Funding Program	14,300,000	-	-	14,300,000	-
Premium	554,656	-	19,195	535,461	-
2012 Refinancing Lease	7,060,000	-	360,000	6,700,000	375,000
Premium	123,470	-	8,922	114,548	-
Capital Leases	433,351	239,652	180,821	492,182	185,416
Compensated absences	424,107	25,228	-	449,335	-
Supplemental employee retirement plan	3,863,778	-	1,283,486	2,580,292	1,283,486
OPEB Obligation, net	2,749,290	1,143,238	388,755	3,503,773	-
	$224,848,633	$5,086,853	$10,404,636	$219,530,850	$10,226,374

(1) Includes accreted interest. See the table under "*–General Obligation Bonds*" below.
(2) Amounts do not reflect the planned refunding of the Prior Bonds with proceeds of the Series 2015 Refunding Bonds. See "THE SERIES 2015 BONDS – Plan of Refunding" in the front portion of this Official Statement.
Source: Murrieta Valley Unified School District Audited Financial Report for fiscal year 2013-14.

General Obligation Bonds. Without regard to the issuance of the Series 2015 Bonds, the District has nine series of general obligation bonds outstanding for the year ended June 30, 2014 (as further described under the "THE SERIES 2015 BONDS – Outstanding Bonds" in the front portion of this Official Statement), each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The following table summarizes the District's general obligation debt that was outstanding as of June 30, 2014:

Issue Date[(1)]	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Capital Appreciation	Redeemed	Bonds Outstanding End of Year	Due in One Year
9/01/98	9/01/23	4.05 – 5.30%	$ 25,999,501	$40,033,259	$ -	$1,960,192	$4,395,000	$37,598,451	$4,402,472
9/13/01	9/01/23	2.25 – 5.31%	11,499,326	2,267,765	-	144,911	-	2,412,676	-
6/11/03	9/01/27	2.00 -- 5.12%	16,904,284	919,598	-	28,065	650,000	297,663	-
8/31/05	9/01/29	3.50 – 5.125%	23,495,000	2,105,000	-	-	675,000	1,430,000	700,000
1/25/07	9/01/30	3.50 – 5.50%	95,000,000	88,705,000	-	-	1,180,00	87,525,000	1,485,000
10/01/08	9/01/33	3.50 – 5.70%	24,996,844	29,230,493	-	1,545,567	225,000	30,551,060	230,000
12/15/11	9/01/18	1.95%	4,690,000	3,910,000	-	-	680,000	3,230,000	690,000
7/31/12	9/01/26	2.0-3.375%	11,215,000	11,215,000		-	35,000	11,180,000	715,000
6/20/13	9/01/29	2.0-3.50%	15,640,000	15,640,000		-	235,000	15,405,000	160,000
				$194,026,115	$ -	$3,678,735	$8,075,000	$189,629,850	$8,382,472

(1) A portion of the Series 2007 Bonds are planned to be refunded with proceeds of the District's Series 2015 Refunding Bonds. See "THE SERIES 2015 BONDS – Plan of Refunding" in the front portion of this Official Statement.
Source: Murrieta Valley Unified School District Audited Financial Report for fiscal year 2013-14.

The District plans to refund a portion of the Series 2007 Bonds with proceeds of the Series 2015 Refunding Bonds. See "THE SERIES 2015 – Plan of Refunding" in the front portion of this Official statement.

See "THE SERIES 2015 BONDS – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for the District's general obligation bonds.

Certificates of Participation and Refinancing Lease. On July 31, 2001, certificates of participation of the District were executed and delivered in the amount of $9,510,000 (the "2001 Certificates"). On May 17, 2012, the District entered into a Lease Agreement with the Murrieta School District Educational Facilities Corporation to prepay the 2001 Certificates on August 1, 2013 (the "2012 Refinancing Lease"). As of June 30, 2014, the total lease payments due by the District under the 2012 Refinancing Lease equal $6,700,000. The lease payments under the 2012 Refinancing Lease are payable through 2028 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 375,000	$227,959	$602,959
2016	395,000	214,763	609,763
2017	405,000	201,135	606,135
2018	420,000	186,990	606,990
2019	435,000	172,414	607,414
2020 – 2024	2,415,000	623,933	3,038,933
2025 – 2028	2,255,000	173,190	2,428,190
Total	$6,700,000	$1,800,384	$8,500,384

On April 30, 2009, certificates of participation of the District were executed and delivered in the amount of $56,000,000 (the "2009 Certificates"). The 2009 Certificates initial interest rates were determined weekly. As of September 1, 2011, 2009 Certificates evidencing principal in the aggregate amount of $14,300,000, were converted to the fixed rate mode. As of June 30, 2014, the principal balance outstanding on the 2009 Certificates was $14,300,000. The 2009 Certificates mature through 2041 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ -	$ 822,250	$ 822,250
2016	-	822,250	822,250
2017	-	822,250	822,250
2018	-	822,250	822,250
2019	-	822,250	822,250
2020 – 2024	-	4,111,250	4,111,250
2025 – 2029	-	4,111,250	4,111,250
2030 – 2034	1,700,000	4,068,700	5,768,700
2035 – 2039	7,870,000	2,839,925	10,709,925
2040 – 2041	4,730,000	417,450	5,147,450
Total	$14,300,000	$19,659,825	$33,959,825

Capital Leases. The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase, and the minimum lease payments related thereto are presented in Note 9 to the District's financial statements attached hereto APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

Accumulated Unpaid Employee Vacation. The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to $449,335.

Supplemental Employee Retirement Plan (SERP). The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. Eligibility requirements are that the employees attain age 50 with at least 10 years of service with the

District. The retirees receive annual benefit payments ranging from $1,250 to $3,000 for a term of five or ten years. This benefit is paid out annually to the retiree in equal installments. As of June 30, 2014, there were 157 employees participating in the plan and the District's obligation to those retirees as of June 30, 2014, was $2,580,292. Future payments are as follows:

Year Ending June 30,	Annual Payments
2015	$1,283,486
2016	648,403
2017	648,403
Total	$2,580,292

Tax and Revenue Anticipation Notes. The District issued $2,605,000 aggregate principal amount of tax and revenue anticipation notes (the "Series 2014 Notes") dated July 3, 2014, through the California School Cash Reserve Program Authority ("CSCRPA"). The Series 2014 Notes mature on June 30, 2015 and yield 2.0% interest. [The District has set aside amounts to pay the Series 2014 Notes.] The District may issue tax and revenue anticipation notes in future fiscal years when necessary to supplement cash flow.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below) and the supplemental employee retirement plan described above, the District provides certain post-retirement healthcare benefits (the "Plan"), in accordance with District employment contracts. For a description of the District's Plan, which is a single-employer defined benefit healthcare plan including medical, dental and vision benefits, see Note 12 to the District's financial statements attached hereto APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

Under the Plan, the District pays the equivalent of the lowest HMO medical premium (employee only) as it exists in the year of retirement for full-time bargaining unit members who are at least 55 years of age and have at least 10 years of service. The premium is paid for 5 years (but not beyond age 65) and is capped at the amount paid in the first year of retirement. Retirees may include eligible depends in such plan, however, the cost difference greater than employee-only coverage is paid by the retiree. As of February 1, 2015, ___ retirees and beneficiaries were receiving benefits under the Plan, and there were ____ active plan members who could become eligible to receive benefits in the future under the Plan.

The contribution requirements of Plan members and the District are established and may be amended by the District and the Murrieta Teachers Association and the local California Service Employees Association, as well as unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount (if any) to prefund benefits as determined annual through an agreement by the bargaining parties. The total District contribution for these retirees in fiscal year 2013-14 totaled $266,868. The District's contributions for these benefits for fiscal years 2011-12, 2012-13 and 2013-14 were $146,866, $292,701 and $266,868, respectively. As of June 30, 2014, no prefunding has been made. See Note 12 to the District's financial statements attached hereto APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014" for more information as of June 30, 2014.

Total Compensation Systems, Inc., Agoura Hills, California, has prepared an actuarial valuation of the District's retiree health insurance benefits and reports that, as of February 1, 2015, the District had an actuarial accrued liability of $8,681,046, an initial unfunded actuarial accrued liability of $3,939,707, and a residual actuarial accrued liability of $4,741,339. According to such actuarial valuation, the District's annual required contribution for fiscal year 2014-15 is $1,158,863. The actuarial valuation is based on various assumptions, including 2.75% increase in inflation per year, a 4.5% discount rate (investment return), and a 2.75% increase in payroll per year. A copy of the latest actuarial valuation is available from the District, but the District may impose a charge for copying, handling and mailing any requested document.

Employment

As of June 30, 2014, the District employed 1,082 certificated full time equivalent employees and 976 classified full time equivalent employees. For the year ended June 30, 2014, the total certificated and classified payrolls were approximately $87.6 million and $28.9 million, respectively. The District projects total certificates and classified payrolls to be approximately $93.3 million and $31.0 million, respectively, in fiscal year 2014-15.

District employees are represented by employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Murrieta Teachers Association	1,003	June 30, 2014*
California School Employees Association	935	June 30, 2015

* The District is currently negotiating a new contract and expects to, but cannot guarantee that it will, reach a satisfactory agreement.
Source: Murrieta Valley Unified School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2013, an actuarial valuation (the "2013 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $74.4 billion, an increase of $3.4 billion from the June 30, 2012 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2013, June 30, 2012 and June 30, 2011, based on the actuarial assumptions, were approximately 67%, 67% and 69%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2013 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2013 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "–Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2013 CalSTRS Actuarial Valuation noted that, as of June 30, 2013, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 19.497% over the next 30 years. The 2013 CalSTRS Actuarial Valuation provides that the contribution rate would need to have been raised by 13.382% to a total of 32.879% to amortize the unfunded liability over a 30-year period as of June 30, 2013.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the next three years. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The District's total employer contributions to CalSTRS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $6,885,838, $7,008,243, $6,632,715, $7,193,371, respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions to CalSTRS of approximately $8.36 million for fiscal year 2014-15. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2013, the CalPERS Schools plan had a funded ratio of 76.2% on a market value of assets basis. The funded ratio as of June 30, 2012, June 30, 2011, June 30, 2010 and June 30, 2009 was 75.4%, 78.7%, 69.5% and 65.0%, respectively. In March of 2012, the CalPERS Board of Administration adopted new economic actuarial assumptions to be used with the June 30, 2011 actuarial valuation; in particular, lowering the price inflation assumption from 3.00% to 2.75%. Lowering the price inflation assumption resulted in a reduced discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2% to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2% to 2.4% for safety plans beginning in fiscal year 2012-13. In April of 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term.

In February of 2014, the CalPERS Board of Administration adopted new actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The District's total employer contributions to CalPERS for fiscal years 2010-11, 2011-12, 2012-13 and 2013-14 were $4,646,596, $4,758,746, $4,995,840 and $5,510,666, respectively, and were equal to 100% of the required contributions for each year. The District projects employer contributions to CalPERS of approximately $5.35 million for fiscal year 2014-15. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "–Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 10 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 will take effect in fiscal years beginning after June 15, 2013, and Statement Number 68 will take effect in fiscal years beginning after June 15, 2014.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in two joint ventures under joint powers agreements: Redwood Empire Schools Insurance Group (RESIG) and the Schools Excess Liability Fund (SELF).

Redwood Empire Schools Insurance Group (RESIG). RESIG is a joint powers agency that provides property and casualty, workers' compensation and liability insurance coverage for its member districts. The District pays annual premiums commensurate with the level of coverage requested through RESIG.

School Excess Liability Fund (SELF). SELF provides excess property, liability and workers' compensation coverage for its member school districts. SELF is governed by an elected board who represents the member districts.

A board consisting of a representative from each member district governs these JPAs. The governing board controls the operation of the JPAs independent of any influence by the District beyond the District's representation on the governing board. The JPAs are indepenedently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member distrits share surpluses and deficits proportaionately to their participation. The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

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

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2013-14 fiscal year are equal to the allowable limit of approximately $103.48 million and estimates an appropriations limit for the 2014-15 fiscal year of approximately $101.56 million. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

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 XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID 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 XIIIA 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.

Statutory Limitations

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

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

Proposition 98 and Proposition 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"). 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 (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Proposition 30

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "–Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 and 2019 tax years. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 62, 98, 111 and 218, 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.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

APPENDIX C

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

Upon the delivery of the Series 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinions with respect to each series of the Series 2015 Bonds in substantially the following forms:

APPENDIX D

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

APPENDIX E

COUNTY OF RIVERSIDE POOLED INVESTMENT FUND

The following information has been provided by the County Treasurer, and has not been confirmed or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Further information may be obtained from the County Treasurer.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2015, the portfolio assets comprising the PIF had a market value of $5,730,402,540.40.

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

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

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

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

U.S. Treasury Securities	$435,092,578.15	7.59%
Federal Agency Securities	3,737,191,015.40	65.24%
Cash Equivalent & Money Market Funds	649,000,000.00	11.33%
Commercial Paper	641,203,252.57	11.19
Medium Term Notes	-	-
Municipal Notes	165,718,328.62	2.89%
Certificates of Deposit	-	-
Repurchase Agreements	100,000,000.00	1.75%
Local Agency Obligations[1]	395,000.00	0.01%
	$5,728,600,174.74	100.00%

Book Yield	0.46%
Weighted Average Maturity(years)	1.26

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

As of March 31, 2015, the market value of the PIF was 100.03% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

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

Neither the District nor the Underwriter has made an independent investigation of the investments in the PIF and neither has made an assessment of the current County Investment Policy. The value of the various investments in the PIF 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 approval of the IOC and the County Board of Supervisors, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the PIF will not vary significantly from the values described herein.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2015 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2015 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015 Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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

Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

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

9. DTC may discontinue providing its services as depository with respect to the Securities 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, Security certificates are required to be printed and delivered.

10. 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, Security certificates will be printed and delivered to DTC.

11. 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.

APPENDIX G

TABLE OF ACCRETED VALUES
OF CAPITAL APPRECIATION BONDS

APPENDIX H

TABLE OF ACCRETED VALUES
OF CONVERTIBLE CAPITAL APPRECIATION BONDS