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

IN WITNESS WHEREOF, the County of Riverside, California, has caused this Bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signatures of the Chair of the Riverside County Board of Supervisors and the Treasurer and Tax Collector of the County, and to be countersigned by the manual or facsimile signature of the Clerk of the Riverside County Board of Supervisors, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

RIVERSIDE COUNTY, CALIFORNIA

-EXHIBIT-

By:____________________________________

Chairperson, Board of Supervisors

-EXHIBIT-

By:____________________________________

Treasurer and Tax Collector

COUNTERSIGNED:

-EXHIBIT-

By:________________________________

Clerk to the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the County Resolution referred to herein.

Date of Registration and Authentication: ______________________

U.S. BANK NATIONAL ASSOCIATION, Paying Agent, as authenticating agent:

-EXHIBIT-

By:_________________________________

Authorized Signatory

FORM OF ASSIGNMENT

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

____

____

____

(print/type name, address, zip code, tax identification or Social Security number of assignee) the within Bond and do(es) irrevocably constitute and appoint __________________________, attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Date:______________________

-EXHIBIT-

____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change what so ever.

Signature Guaranteed:

-EXHIBIT-

____

Signature must be guaranteed by an eligible guarantor institution.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede and Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered Owner hereof, Cede & Co., has an interest herein.

[FORM OF BOND COUNSEL OPINION]

[Text of Opinion]

EXHIBIT "D"

FORM OF CONVERTIBLE CAPITAL APPRECIATION BOND

STATE OF CALIFORNIA **COUNTY OF RIVERSIDE**

REGISTERED **REGISTERED**

NO. **$**

(CONVERSION VALUE)

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016-B
(Riverside County, California)

ACCRETION RATE TO CONVERSION DATE	CONVERSION DATE	INTEREST RATE AFTER THE CONVERSION DATE	MATURITY DATE	DATED AS OF	CUSIP®
X.XXX%	________, 20__	X.XXX%	August 1, 20__	_______, 2016	_________

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: $________________

CONVERSION VALUE: DOLLARS

The **TEMECULA VALLEY UNIFIED SCHOOL DISTRICT** ("District") in Riverside County ("County"), California, for value received, promises to pay to the Registered Owner named above, or registered assigns, the Conversion Value on the Maturity Date, each as stated above, such Conversion Value comprising the principal amount and interest accreted thereon to the Conversion Date. Prior to the Conversion Date, this bond will not bear current interest but will accrete interest, compounded on each February 1 and August 1, commencing August 1, 2016, at the Accretion Rate specified above to the Conversion Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the principal amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. After the Conversion Date, the District promises to pay to the Registered Owner named above, interest on the Conversion Value from the Conversion Date until the Conversion Value is paid or provided for at the Interest Rate stated above, on February 1 and August 1 of each year ("Bond Payment Dates"), commencing _______ 1, 20__. This bond will bear such interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to the Bond Payment date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before ______ 15, 20__, in which event it will bear interest from the Conversion Date. Conversion Value and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered ("Registered Owner") on the register maintained by the Paying Agent, initially U.S. Bank National Association. Accreted Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the principal office of the Paying Agent.

This Bond is one of an aggregate amount of $__________ of Bonds issued to be used for the acquisition and construction of school facilities to serve the District under authority of and pursuant to the laws of the State of California, and more than the requisite fifty-five percent (55%) favorable vote of the electors of the District obtained at an election held on November 6, 2012, upon the question of issuing Bonds in the amount of $165,000,000, the resolution of the Board of Education of the District, adopted on ____________, 2016 ("District Resolution"), and the resolution of the Riverside County Board of Supervisors, adopted on __________, 20___ ("County Resolution"). This Bond and the issue of which this Bond is one are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount. The Bonds of this issue are general obligations of the District and do not constitute an obligation of the County of Riverside. No part of any fund of the County is pledged or obligated to the payment of the Bonds of this issue.

[The Bonds of this issue comprise (i) $________ principal amount of Current Interest Bonds, (ii) Capital Appreciation Bonds of which $_________ represents the principal amount and $_________ represents the Maturity Value, and (iii) Convertible Capital Appreciation Bonds, of which this bond is a part, and of which $________ represents the principal amount and $_____ represents the Conversion Value.]

This Bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the County Resolution) and in other authorized denominations at the Office of the Paying Agent (as defined in the County Resolution), by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the County Resolution. Any tax or governmental charges shall be paid by the transferor. The District, the County and the Paying Agent may deem and treat the Registered Owner as the absolute Owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary.

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

The Convertible Capital Appreciation Bonds are subject to redemption prior to maturity. If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by the Paying Agent in such manner as the Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by $5,000. If less than all of the Bonds shall be called for redemption, the particular Bonds or portions thereof to be redeemed shall be called by lot in any manner which the District in its discretion shall determine.

The Paying Agent shall give notice of the Redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed; (b) the serial or registration numbers and CUSIP® numbers, if any, of the Bonds to be redeemed; (c) the date of notice and the date of redemption; (d) the place or places where the redemption will be made; and (e) descriptive information regarding the issue of Bonds and the specific bonds redeemed, including the dated date, interest rate and stated maturity date of each. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered Owner of the Bonds, or if the original purchaser is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first-class mail, postage prepaid, to the District, the County and the respective Owners of any registered Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds, nor entitle the Owner thereof to interest beyond the date given for redemption.

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

The rights and obligations of the District and of the Registered Owners of the Bonds may be amended at any time, and in certain cases without the consent of the Registered Owners to the extent and upon the terms and conditions provided in the County Resolution.

The County Resolution contains provisions permitting the District to make provision for the payment of the interest on, and the principal and premium, if any, of any of the Bonds so that the Bonds shall no longer be deemed to be outstanding under the terms of the County Resolution.

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

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

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

IN WITNESS WHEREOF, the County of Riverside, California, has caused this Bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signatures of the Chair of the Riverside County Board of Supervisors and the Treasurer and Tax Collector of the County, and to be countersigned by the manual or facsimile signature of the Clerk of the Riverside County Board of Supervisors, and has caused the seal of the County to be affixed hereto, all as of the date stated above.

[SEAL]

RIVERSIDE COUNTY, CALIFORNIA

-EXHIBIT-

By:__________________________________

Chairperson, Board of Supervisors

-EXHIBIT-

By:__________________________________

Treasurer and Tax Collector

COUNTERSIGNED:

-EXHIBIT-

By:______________________________

Clerk to the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the County Resolution referred to herein.

Date of Registration and Authentication: ______________________

U.S. BANK NATIONAL ASSOCIATION, Paying Agent, as authenticating agent:

-EXHIBIT-

By:________________________________

Authorized Signatory

FORM OF ASSIGNMENT

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

____

____

____

(print/type name, address, zip code, tax identification or Social Security number of assignee) the within Bond and do(es) irrevocably constitute and appoint __________________________, attorney, to transfer the same on the registration books of the Paying Agent, with full power of substitution in the premises.

Date:______________________

-EXHIBIT-

____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change what so ever.

Signature Guaranteed:

-EXHIBIT-

____

Signature must be guaranteed by an eligible guarantor institution.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede and Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered Owner hereof, Cede & Co., has an interest herein.

[FORM OF BOND COUNSEL OPINION]

[Text of Opinion]

RESOLUTION NO. 2015-16/23

RESOLUTION OF THE BOARD OF EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED $40,000,000 PRINCIPAL AMOUNT OF TEMECULA VALLEY UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016-B, PRESCRIBING THE TERMS OF SUCH BONDS AND THEIR SALE (WHICH INCLUDES BONDS WITH COMPOUNDING INTEREST FEATURES), AUTHORIZING EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, APPROVING FORM OF A PRELIMINARY OFFICIAL STATEMENT FOR SUCH BONDS, AUTHORIZING EXECUTION OF CERTAIN DOCUMENTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE OF BONDS; MAKING CERTAIN FINDINGS AND DETERMINATIONS AND TAKING RELATED ACTIONS

WHEREAS, the Temecula Valley Unified School District ("District" or "School District") is a public school district organized and operating within the County of Riverside ("County") pursuant to the laws of the State of California ("State"), including, but not limited to, the California Constitution and the California Education Code ("Education Code"); and

WHEREAS, the issuance of not to exceed $165,000,000 aggregate principal amount of general obligation bonds of the District was authorized ("Bond Authorization") at an election duly called and regularly conducted within the District on November 6, 2012 (further identified as "Measure Y") ("Bond Election"), which Bond Election was conducted pursuant to the provisions of the "Safer Schools, Smaller Classes and Financial Accountability Act" (also known as "Proposition 39"), the California Constitution and related State law; and

WHEREAS, the results of the Bond Election were certified by this Board of Education of the District ("District Board") by adoption of Resolution No. 2012-13/18, adopted on January 22, 2013, pursuant to State law, and which Resolution No. 2012-13/18 has been filed as required by State law; and

WHEREAS, the proceeds of general obligation bonds issued pursuant to the Bond Authorization are to be used for identified projects (as set out in District Resolution No. 2012-13/4, adopted on August 7, 2012 ("Resolution No. 2012-13/4"), which is incorporated herein by this reference) as approved by the voters as part of the Bond Election; and

WHEREAS, pursuant to the Bond Authorization and the provisions of applicable State law, the District, pursuant to the provisions of District Resolution No. 2012/13-19 and a Resolution adopted by the County Board of Supervisors ("County Board") on February 5, 2013 (County Resolution No. 2013-034), has previously authorized and issued the Temecula Valley Unified School District General Obligation Bonds, 2012 Election, Series 2013-A ("Series A

Bonds") in the initial par amount of $34,995,069.55, which Series A Bonds were issued as of March 7, 2013, leaving $130,004,930.45 of bonds of the Bond Authorization authorized and unissued; and

WHEREAS, the Riverside County Superintendent of Schools has jurisdiction over the District and as such, pursuant to Education Code Section 15140(a), authority for the issuance of authorized bonds of the District lies with the County; and

WHEREAS, Sections 53506 *et seq.* of the California Government Code ("Government Code") and Section 15140 of the Education Code of the State of California authorize the Board of Supervisors of County ("County Board") to borrow funds through the issuance of general obligation bonds in the name and for the benefit of the District pursuant to resolutions adopted by the District Board and the County Board; and

WHEREAS, pursuant to Government Code Section 53506 *et seq.*, and, to the extent applicable, Education Code Sections 15100 *et seq.*, the District Board has determined that it is in the best interests of the District at this time to authorize the issuance of a portion of such authorized but unissued general obligation bonds in the total principal amount of not to exceed $40,000,000 ("Bonds" or "Series 2016-B Bonds") and request the County Board to offer the Series 2016-B Bonds for sale pursuant to the request set forth herein; and

WHEREAS, the District Board has previously selected Stifel, Nicolaus & Company, Incorporated, to act as its Underwriter ("Underwriter"), and has retained Bowie, Arneson, Wiles & Giannone as Bond Counsel ("Bond Counsel"), James F. Anderson Law Firm, A Professional Corporation as Disclosure Counsel ("Disclosure Counsel") and Fieldman, Rolapp & Associates as Financial Advisor ("Financial Advisor") to the District in connection with the issuance and sale of the Series 2016-B Bonds; and

WHEREAS, Proposition 39, and related California statutory provisions, require that the District comply with various accountability measures, as further described below, which the District has either previously complied with, or will comply with, during the course of issuing the Series 2016-B Bonds and/or expending the Series 2016-B Bond proceeds; and

WHEREAS, based upon documentation presented to the District Board, the District Board is prepared to make certain findings and determinations concerning the issuance and sale of the Series 2016-B Bonds and the levy of taxes to pay principal and interest on the Series 2016-B Bonds pursuant to State law; and

WHEREAS, pursuant to Government Code Sections 53506 *et seq*., and Education Code Sections 15140 and/or 15146, as applicable, the District Board desires that the Series 2016-B Bonds be sold through a negotiated sale with the Underwriter and that the sale thereof may involve the purchase of a municipal bond insurance policy; and

WHEREAS, the District Board has been presented with the forms of a Bond Purchase Agreement, a Continuing Disclosure Agreement and a Preliminary Official Statement relating to the Series 2016-B Bonds, which documents are on file with the Clerk of the District Board; and

WHEREAS, the District Board has received additional information concerning the sale of the Series 2016-B Bonds, including, but not limited to, information concerning anticipated estimated costs of issuance of the Series 2016-B Bonds; and

WHEREAS, Assembly Bill 182 (Chapter 477 of the 2013-2014 Session of the California Legislature) ("AB 182") requires an analysis and comparison of any bonds involving compounding interest features that are proposed to be issued and a report meeting such requirements and the other requirements of AB 182, including disclosing the financing term and time of maturity of the Series 2016-B Bonds, repayment ratio, and the estimated change in the assessed value of taxable property within the School District over the term of the Series 2016-B Bonds, has been presented to the Board and the Board confirms the reason for the issuance of bonds involving compounding interest features is to provide funds for the projects specified in Measure Y while at the same time complying with the applicable statutory tax rate limitations; and

WHEREAS, in compliance with AB 182 the Municipal Securities Rulemaking Board Rule G-17 submissions of the Underwriter have been received by the Board and are on file with the School District; and

WHEREAS, in compliance with AB 182 this resolution was presented at two consecutive meetings of the District Board; and

WHEREAS, the District Board desires to make certain findings, and authorize and direct certain actions with respect to the issuance and sale of the Series 2016-B Bonds as set forth herein; and

WHEREAS, the District Board requests that the Auditor-Controller of the County levy on its 2016/2017 tax rolls, and all subsequent tax rolls, as applicable to the Series 2016-B Bonds as issued and sold, taxes to be levied against taxable property within the boundaries of the District, in an amount sufficient to pay the principal and interest on the Series 2016-B Bonds as such shall become due; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including Series 2016-B Bonds, is within all limits prescribed by law; and

WHEREAS, based on the foregoing, the District Board has determined that it is appropriate to adopt this Resolution, including making certain findings and directing certain related actions and requesting that the Series 2016-B Bonds be issued through the County on behalf of the District.

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. **Incorporation of Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 2. **Conditions Precedent.** The District Board determines that all acts and conditions necessary to be performed by the District Board or to have been met precedent to and in the issuing and sale of the Series 2016-B Bonds in order to make them legal, valid and binding general obligations of the District secured by the levy of *ad valorem* taxes have been performed and have been met, or will at the time of delivery of the Series 2016-B Bonds have been performed and met, in regular and due form as required by law; that the County Board has the power and is obligated to levy *ad valorem* taxes for the payment of the Series 2016-B Bonds and the interest thereon without limitation as to rate or amount upon all property within the District subject to taxation (except for certain classes of personal property); and that no statutory or Constitutional limitation of indebtedness or taxation will have been exceeded in the issuance, sale and delivery of the Series 2016-B Bonds.

Section 3. **Amount and Purpose of Bonds.** The Series 2016-B Bonds of the District in the aggregate principal amount of not to exceed $40,000,000 shall be offered for sale, the proceeds of which are to be used for the purposes set out in District Resolution No. 2012-13/4 and as approved at the Bond Election and to pay all necessary and appropriate costs or expenses incurred in the issuance of the Series 2016-B Bonds pursuant to Government Code Section 53509.5(b), and, as applicable, Education Code Sections 15145 and 15146 and applicable State law.

Section 4. **Authority for Issuance of Bonds.** That the Series 2016-B Bonds shall be issued and offered for sale by the County, on behalf of the District, pursuant to and in accordance with the California Constitution, the Bond Authorization, this Resolution, the County Resolution (as defined below), and Government Code Sections 53506 *et seq.*, and, to the extent applicable, Education Code Sections 15266, 15100 *et seq.* and 15140 *et seq.*

Section 5. **Sale of Bonds: Designation.**

(a) The County Board is hereby authorized and directed to issue and sell an aggregate principal amount of not to exceed $40,000,000 of Series 2016-B Bonds authorized at the aforementioned Bond Election to be designated as **"Temecula Valley Unified School District General Obligation Bonds, 2012 Election, Series 2016-B"** or such other designation as the Superintendent of the District ("Superintendent") or the Superintendent's designee(s) (as described herein), may approve. The resolution of the County Board providing for the issuance and sale of the Series 2016-B Bonds is in certain instances herein referred to as the "County Resolution."

(b) The proceeds of the Series 2016-B Bonds shall be expended for the purposes set forth in the ballot submitted to the voters, approved in the Bond Election and subject to State law and to pay certain costs of issuance of the Series 2016-B Bonds. The Series 2016-B Bonds shall otherwise conform to the requirements set forth herein and in the County Resolution.

Section 6. **Negotiated Sale.** The County Board is hereby requested to issue the Series 2016-B Bonds to be sold at a negotiated sale in accordance with the terms and conditions, including provisions for the optional redemption of the Series 2016-B Bonds, in substantially the form set forth in the Bond Purchase Agreement ("Purchase Agreement") by and among the County, the District and the Underwriter, the form of which is attached hereto as Exhibit "A" and incorporated herein by this reference.

Section 7. **Form of Purchase Agreement; Execution and Delivery.**

(a) The form of the Purchase Agreement is hereby approved. The Superintendent and such other officers of the District as may be authorized by the District Board or Superintendent (each a "Designated Officer") are, and each of them acting alone hereby is, authorized to execute and deliver, with the County Treasurer ("Treasurer"), to the Underwriter the Purchase Agreement on behalf of the District, with such changes therein as the Designated Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District and subject to the terms and conditions set forth in the County Resolution. Such approval shall be conclusively evidenced by such Designated Officer's execution and delivery thereof. The Designated Officer, in consultation with the Financial Advisor, Underwriter, Bond Counsel and the Treasurer, is authorized and directed to establish or modify the terms of redemption of the Series 2016-B Bonds and establish the final principal amount of the Series 2016-B Bonds, provided, however, that such principal amount shall not exceed $40,000,000. The Designated Officer is also authorized and directed to negotiate, in cooperation with the County Treasurer and Fieldman, Rolapp & Associates, Inc., as the District's Financial Advisor, with the Underwriter the interest rates on the Series 2016-B Bonds, not-to-exceed a true interest cost of five percent (5.00%), and the Underwriter's discount shall not exceed nine-tenths of one percent (0.90%) of the principal amount of the Series 2016-B Bonds (exclusive of any premium paid on the Series 2016-B Bonds, costs of issuance of the Series 2016-B Bonds which may be paid by the Underwriter, and/or original issue discount, if any, which original issue discount shall not exceed 5.00%). True interest cost for purposes of this Section means that nominal interest rate that, when compounded semiannually and used to discount the debt service payments on the Series 2016-B Bonds to the dated date(s) of the Series 2016-B Bonds, results in an amount equal to the purchase price of the Series 2016-B Bonds, excluding interest accrued to the date of delivery. For purposes of this calculation, the premium paid for the policy of municipal bond insurance, if any, shall be treated as interest paid on the Series 2016-B Bonds on the date of delivery.

(b) The Designated Officer, in consultation with the Financial Advisor, the Underwriter, and the Treasurer is authorized to determine or accept the principal amount of each maturity of the Series 2016-B Bonds, issuance of the Series 2016-B Bonds as Current Interest Bonds, Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds, the redemption provisions for the Series 2016-B Bonds, as applicable, the funding of any capitalized interest for the Series 2016-B Bonds (as determined to be necessary or appropriate) and the final purchase price for the Series 2016-B Bonds (subject to the limitations set forth herein) which shall be set forth in the Purchase Agreement. The term of the Series 2016-B Bonds shall be for more than the maximum term allowed by law, as applicable to the form(s) of the Series 2016-B Bonds as issued and sold (and as further discussed herein).

(c) The Designated Officer is also authorized, in consultation with the Financial Advisor and Treasurer, the Underwriter and Bond Counsel, to elect to purchase a policy of municipal bond insurance for the Series 2016-B Bonds to the extent such action is determined to be in the best interests of the District.

(d) As set out in State law, any Series 2016-B Bonds which are issued as Capital Appreciation Bonds or Convertible Capital Appreciation Bonds shall have a maturity of not more than twenty-five (25) years from their date of issuance. Any Series 2016-B Bonds issued as Current Interest Bonds shall have a maturity of not more than forty (40) years from their date of issuance. Any Series 2016-B Bonds issued as Current Interest Bonds with a maturity of greater than thirty (30) years shall comply with the additional requirements of AB 182.

(e) Notwithstanding any other provisions herein to the contrary, the Series 2016-B Bonds shall comply with the requirements of Education Code 15144.1. The District shall be furnished with written compliance of such requirement(s) at the time the Series 2016-B Bonds are sold.

Section 8. **Book-Entry Form.** The Series 2016-B Bonds shall be initially issued in book-entry form, to be lodged with The Depository Trust Company ("DTC"), which shall be the registered owner of the Series 2016-B Bonds issued at the closing in the form of a single, certificated Bond for each maturity. The Designated Officer is hereby authorized to take all actions necessary or appropriate to facilitate such filing and lodgment. The Underwriter is requested to assist the District and County in qualifying the Series 2016-B Bonds for deposit with DTC. The District Board hereby authorizes and directs the Designated Officer to execute and deliver such documents and letter as are necessary or desirable to qualify the Series 2016-B Bonds as part of such book-entry form and system.

Section 9. **Paying Agent.** U.S. Bank National Association shall serve as the initial Paying Agent for the Series 2016-B Bonds, recognizing that any fees incurred therefore in the first year may be paid from proceeds of the Series 2016-B Bonds and subsequent annual fees, if any, shall be paid out of the Debt Service Fund to be established for the Series 2016-B Bonds to the extent that there are funds remaining after payment of the principal and interest on the Series 2016-B Bonds in that year, and if such funds are insufficient, from the General Fund of the District.

Section 10. **Levy and Collection of Taxes.** Pursuant to Education Code Sections 15250 *et seq.* (or any successor sections thereto) the District, upon sale and delivery of the Series 2016-B Bonds, requests that the County Board, take action to levy, or cause to be levied, on all the taxable property in the District, commencing with the 2016/2017 tax year, or as may be applicable given the debt service requirements of the Series 2016-B Bonds as issued and sold, and subsequent tax years, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Series 2016-B Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series 2016-B Bonds, as applicable, when due in accordance with the terms of the Series 2016-B Bonds and the County Resolution.

Section 11. Tax Covenants.

(a) The District, in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2016-B Bonds, hereby covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, as set forth in the nonarbitrage (tax) certificate to be provided to the District by Bond Counsel, and executed by the District, on the date of initial delivery of the Series 2016-B Bonds and incorporated herein by this reference, as a source of guidance for compliance with such provisions.

(b) The District hereby covenants that it shall not, directly or indirectly, use or permit the use of any proceeds of any of the Series 2016-B Bonds, or of any of the property financed with the proceeds of the Series 2016-B Bonds, or other funds of the District, or take or omit to take any action that would cause the Series 2016-B Bonds to be deemed "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated under that section or any successor section to the extent that such requirements are in effect and applicable to the Series 2016-B Bonds.

(c) The District covenants that it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate or excess investment earnings on the proceeds of the Series 2016-B Bonds due to the United States Treasury; and (ii) cause to be segregated and set aside from lawfully available sources held in the County treasury the amount such calculations indicate may be required to be paid to the United States Treasury. Based on such rebate calculations, the District will, to the extent required, cause to be set aside, from monies lawfully available, the amount of such rebate in a separate fund that the District hereby agrees to cause to be established and maintained as set forth in Section 11(b) hereof and in the County Resolution.

(d) The District Board hereby authorizes Bond Counsel and District staff to draft, complete, execute and include in the documents delivered in connection with the issuance and sale of the Series 2016-B Bonds, such statements and directives as may be necessary and convenient in order to meet federal tax goals or requirements in connection with maintaining the tax-exempt status of the Series 2016-B Bonds. In addition to the foregoing, District staff is authorized to append to such Tax Certificate a post-issuance compliance policy and procedures (in the form provided by Bond Counsel) to provide for on-going monitoring and compliance actions with respect to the Series 2016-B Bonds.

(e) The District represents that it shall not take any action, or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Series 2016-B Bonds under Section 103 of the Code.

Section 12. Expenditure of Bond Proceeds. The District hereby covenants to expend all of the net Series 2016-B Bond proceeds in accordance with applicable law, including, but not limited to, Chapter 1 of Part 10 of Division 1 of Title 1 of the California Education Code of the State of California (commencing with Section 15100), as amended. The District reserves the right to request that the County, upon the sale of the Series 2016-B Bonds, deposit a portion of the proceeds thereof in the Debt Service Fund (established pursuant to the County Resolution) in order to pay interest on the Series 2016-B Bonds for a period not-to-exceed the statutory maximum.

Section 13. Preliminary Official Statement; Official Statement. Pursuant to the provisions of the Education Code, including, but not limited to, Education Code Section 15149, and federal disclosure requirements, a Preliminary Official Statement relating to the Series 2016-B Bonds has been prepared, and the use and distribution of the Preliminary Official Statement and a final Official Statement in connection with the sale of the Series 2016-B Bonds is hereby authorized. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Series 2016-B Bonds. The Designated Officer is authorized to approve, execute, and deliver, as applicable, copies of the Preliminary Official Statement and the final Official Statement, with such changes therein as such officer shall approve, in his or her discretion as being in the best interests of the District. Upon approval of such changes by such officer, the Preliminary Official Statement shall be deemed final as of its date, except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The District Board hereby authorizes and directs the Designated Officer to deliver to the Underwriter a certificate to the effect that the District deems the Preliminary Official Statement, in the form approved by the Designated Officer, to be final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted under such Rule). The District Board hereby also authorizes and directs the Designated Officer to execute and deliver the final form of the Official Statement to the Underwriter upon its final date.

Section 14. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement (as defined below). Notwithstanding any other provisions of this Resolution, failure of the District to comply with the provisions of the Continuing Disclosure Agreement shall not be considered a default by the District hereunder or under the Series 2016-B Bonds; however, any underwriter or any holder or beneficial Owner of the Series 2016-B Bonds may take such actions as may be necessary and appropriate to compel performance therewith, including seeking mandate or specific performance by court order. Any such default by the District shall not cause, or result in, any acceleration of payments on the Series 2016-B Bonds.

For purposes of this Section, "Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement executed by the District in connection with the issuance and sale of the Series 2016-B Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. A form of the Continuing Disclosure Agreement is attached hereto as Exhibit "B" and incorporated by reference herein. The Designated Officer(s) are hereby authorized to approve, execute and deliver the final form of the Continuing Disclosure Agreement with such changes, insertions and deletions as may be approved by the Designated Officer, Bond Counsel and Disclosure Counsel, as applicable, which approval shall be conclusively evidenced by execution and delivery thereof.

Section 15. **County Books and Accounts.** The Treasurer, the County and the Paying Agent are requested to keep, or cause to be kept, proper books of records and accounts to record (i) the amount of taxes collected pursuant to Section 10 hereof and the provisions of the County Resolution, (ii) all deposits, expenditure and investment earnings on the Debt Service Fund and the Costs of Issuance Fund, and (iii) all transfers of funds for the payment of Principal of, or interest or redemption premiums on, the Series 2016-B Bonds, as applicable. The Paying Agent shall provide regular periodic written statements for the Costs of Issuance Fund to the District. Such books of record and accounts shall, upon reasonable notice, during regular business hours be subject to the inspection of the District, the Paying Agent (if other than the Treasurer) and the Owners of not less than ten percent (10%) of the Principal Amount (as defined in the County Resolution) of the Series 2016-B Bonds then Outstanding, or their representatives authorized in writing. Defined terms in this Section shall have the meaning(s) assigned thereto in the County Resolution. The Treasurer is requested to provide regular periodic statements of such funds and accounts to the District.

Section 16. **Compliance with Proposition 39.** The District hereby determines that it has complied, or will comply, with the applicable requirements prescribed by Proposition 39, and related applicable State statutory provisions, as follows:

(a) Pursuant to Section 1(b)(3) of Article XIIIA of the California Constitution, the proceeds of the sale of the Series 2016-B Bonds (exclusive of costs of issuance and delivery of the Series 2016-B Bonds) ("Bond Proceeds" or "Series 2016-B Bond Proceeds") shall be used for the purposes specified in the list of specific school facilities projects set forth in Resolution No. 2012-13/4 and approved by the voters in the Bond Election ("School Facilities Project List") and not for any other purpose, including teacher and administrator salaries and any other school operating expenses.

(b) Pursuant to Section 1(b)(3) of Article XIIIA of the California Constitution, the School Facilities Project List was made available to the public for review prior to and during the Bond Election, which included the District Board's evaluation of safety, class size reduction and information technology needs in developing the School Facilities Project List as set forth in Resolution No. 2012-13/4.

(c) Pursuant to Section 1(b)(3) of Article XIIIA of the California Constitution, the District Board shall conduct, or cause to be conducted, annual, independent performance audits to ensure that the Series 2016-B Bond Proceeds have been expended only on the school facilities projects and capital expenditures identified in the School Facilities Project List.

(d) Pursuant to Section 1(b)(3) of Article XIIIA of the California Constitution, the District Board shall conduct, or cause to be conducted, annual, independent financial audits of the Bond Proceeds until all of the Bond Proceeds have been expended for the school facilities projects and capital expenditures identified in the School Facilities Project List.

(e) Measure Y and matters submitted to the voters as part of the Bond Election included statements in compliance with Education Code Section 15272.

(f) The Bond Election results were certified by the District Board pursuant to Resolution No. 2012-13/18, and such resolution has been filed with the County as required under Education Code Sections 15124 and 15274.

(g) Pursuant to Education Code Sections 15278 *et seq.*, the District Board has established its Citizens' Oversight Committee ("Committee") for Measure Y and has appointed members thereto pursuant to the Committee Policy and Regulations previously adopted by the District Board.

(h) Pursuant to Education Code Sections 15268 and 15270, based on estimates that assessed valuation will increase in accordance with Article XIIIA of the California Constitution, the tax rate to be levied to meet the requirements of Section 18 of Article XVI of the California Constitution with regard to the Series 2016-B Bonds will not exceed Sixty Dollars ($60) per year per One Hundred Thousand Dollars ($100,000) of taxable property within the boundaries of the District. The District shall provide, or cause to be provided, a certificate specifying the estimated tax rate, and confirming compliance with this statutory requirement, at the time the Series 2016-B Bonds are delivered.

Section 17. Compliance with Certain Provisions of State Law; Annual Reporting. That pursuant to Government Code Section 53410, the District Board hereby finds, determines and directs as follows:

(a) The Series 2016-B Bond Proceeds shall be used only for the purposes set forth in the School Facilities Project List, the construction proceeds of which have been, or will be, used only for the purposes set forth in the School Facilities Project List.

(b) One or more funds or accounts (which may include subaccounts) as further described herein and in the County Resolution shall be created into which the Series 2016-B Bond Proceeds shall be deposited.

(c) The District's Assistant Superintendent of Business Support Services, shall have the responsibility, no less often than annually, to provide to the District Board a written report which shall contain at least the following information:

(i) The amount of the Series 2016-B Bond Proceeds received and expended during the applicable reporting period; and

(ii) The status of the acquisition, construction or financing of the school facility projects, as identified in the bond measure, with the Series 2016-B Bond Proceeds.

The report(s) required by this Section 17(c) may be combined with other periodic reports which include the same information, including, but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, continuing disclosure reports, financial statements and audits and/or other written reports made in connection with the Series 2016-B

Bonds. The requirements of this Section 17(c) shall apply only until all the Series 2016-B Bonds are redeemed or defeased, but if the Series 2016-B Bonds, or any series of bonds, are refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased.

Section 18. **Additional Findings and Directives.** Pursuant to Education Code Section 15146(b) and (c), the District Board hereby finds, determines and directs as follows:

(a) The Series 2016-B Bonds shall be sold by negotiated sale to the Underwriter as set forth in Sections 5, 6 and 7 of this Resolution and elsewhere herein.

(b) The Series 2016-B Bonds shall be sold by negotiated sale inasmuch as: (i) such a sale to the Underwriter will allow the District to integrate the sale of the Series 2016-B Bonds with other public financings undertaken, or to be undertaken, by the District in order to finance and fund public school facilities and equipment; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; (iii) such a sale will allow the District to utilize the services of consultants at a lower cost than selecting, retaining and utilizing the services of consultants who are not familiar with the District, its financing needs and related matters; and (iv) such a sale will allow the District to control the timing of the sale of the Series 2016-B Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Series 2016-B Bonds to such market.

(c) The District intends that the Series 2016-B Bonds be sold to Stifel, Nicolaus & Company, Incorporated, as Underwriter, pursuant to a negotiated sale and the terms and conditions set out in the final executed Purchase Agreement. The District is represented by Bowie, Arneson, Wiles & Giannone as Bond Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel and Fieldman, Rolapp & Associates as Financial Advisor.

(d) The estimates of costs associated with the issuance and sale of the Series 2016-B Bonds include the following: (i) the Underwriter's discount shall be as described in Section 7 hereof; (ii) Bond Counsel and Disclosure Counsel fees are based upon the final par amount of the Series 2016-B Bonds and are set out in the retention agreements with Bond Counsel and Disclosure Counsel, which are on file with the District; (iii) costs for purchase of a policy of bond insurance or other credit enhancement (iv) costs for printing of the Preliminary Official Statement and Official Statement, other legal counsel fees, rating agency fees and presentation, pricing consultant, the initial fees and expenses of the paying agent, California Municipal Statistics and other fees and expenses incident to the issuance and sale of the Series 2016-B Bonds are expected to be not greater than 2.00% of the expected maximum par amount of the Series 2016-B Bonds (currently estimated at $40,000,000), as further set forth in Exhibit "C" attached hereto. All such figures are estimates and shall not constrain or limit the District as to the issuance and sale of the Series 2016-B Bonds pursuant to the directives and conditions set forth herein.

(e) The District Board hereby directs that following the sale of the Series 2016-B Bonds, the District Board shall be presented with the actual costs of sale, issuance and delivery costs of the Series 2016-B Bonds at the next occurring meeting of the District Board for which such information can be determined and presented in accordance with State law.

(f) The District Board hereby directs that following the sale and delivery of the Series B Bonds that an itemized summary of the costs of the sale, issuance and delivery costs of the Series 2016-B Bonds shall be provided to the California Debt and Investment Advisory Commission (CDIAC). The District Board hereby determines that submission of such information as part of the filing of the Report of Final Sale for the Series 2016-B Bonds made to CDIAC pursuant to State law, including Government Code Section 8855, shall constitute compliance with the applicable requirements of Education Code Section 53509.5(b) and, as applicable, Education Code Section 15146(c)(2).

(g) The District Board hereby directs that as part of the authorization for issuance, sale, issuance and delivery of the Series 2016-B Bonds that all necessary filings with CDIAC shall be completed by the District staff and/or its consultants or legal counsel on behalf of the District. The District Board directs that confirmation of such filings shall be included in the transcript of agreements, resolutions, proceedings and documents prepared and delivered in connection with the authorization for issuance, sale, issuance and delivery of the Series 2016-B Bonds.

Section 19. Findings Relating to Series 2016-B Bonds Issued as Bonds With Compounding Interest Features.

(a) The reason for the issuance of the Series 2016-B Bonds as Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds (as defined in the County Resolution) is to provide funds for the projects specified in the Bond Election while at the same time complying with the applicable statutory tax rate limitation (taking into consideration projected future bond issuances authorized by Measure Y).

(b) The Series 2016-B Bonds issued as Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds will be subject to optional redemption beginning on a date not later than ten (10) years after the date of issuance of any such Capital Appreciation Bonds and/or Convertible Capital Appreciation Bonds as set out in Section 7.

(c) Based on current interest rate information, the District Board has been presented with an analysis and projection of the total cost of repayment of the Series 2016-B Bonds to the currently estimated final maturity date of the Series 2016-B Bonds given the recommended issuance structure of the Series 2016-B Bonds.

(d) Based on currently available historic assessed valuation (AV) information and current interest rate information, the District Board has been presented with an estimate of the projected change(s) in assessed values of taxable property within the boundaries of the District, and projected tax rates (based on such projected AV changes), over the estimated term of the Series 2016-B Bonds.

(e) The District Board has been presented with comparisons of issuance structures for the Series 2016-B Bonds as required under State law.

(f) The District Board has been provided with a copy of the disclosure made by the proposed underwriter (Stifel, Nicolaus & Company, Incorporated) in compliance with Rule G-17, adopted by the federal Municipal Securities Rulemaking Board (MSRB).

(g) All of the foregoing information and documentation referenced in this Section 19 is on file with the Clerk of the District Board, is available for public review upon request, has been presented to the District Board at public meeting(s) and is incorporated herein by this reference.

(h) This Resolution No. 2015-16/23 has been agendized and presented to the District Board at two (2) consecutive meetings of the District Board. At each such meeting, the District Board meeting agenda for such consideration of this Resolution No. 2015-16/23 noted that the issuance of the Series 2016-B Bonds involved the potential issuance of general obligation bonds with compounding interest features.

Section 20. District Consultant Costs, County Costs, and Costs of Issuance Agreement.

(a) The District has retained the services of Bowie, Arneson, Wiles & Giannone to represent the District as Bond Counsel, James F. Anderson Law Firm, A Professional Corporation, to represent the District as Disclosure Counsel, and Fieldman, Rolapp & Associates to represent the District as Financial Advisor. U.S. Bank National Association will serve as the District's initial Paying Agent. The Designated Officers are authorized to execute and deliver service agreements with such legal counsel and other service providers in connection with such services.

(b) The Superintendent of the District is hereby also authorized to retain such other and further consultants and services, including, but not limited to, printing services, legal services, assessment valuation information and independent pricing consultant services as are necessary or desirable to facilitate the issuance, sale and delivery of the Series 2016-B Bonds.

(c) That this District Board authorizes the payment to the County of out-of-pocket expenses and other costs incurred by the County in connection with the County's support of, and participation in, the issuance, sale and delivery of the Series 2016-B Bonds.

(d) As may be provided under the terms of the Purchase Agreement, the Underwriter may be required to pay a portion of the costs of issuance from allocated funds as a condition to the purchase of the Series 2016-B Bonds. The District Board hereby authorizes a Designated Officer(s) to acknowledge any such Costs of Issuance Custodian Agreement(s), or equivalent agreement, involving U.S. Bank National Association or another bank or financial institution. As may be provided in such Purchase Agreement, amounts provided by the Underwriter for payment of costs of issuance shall be deposited thereunder and the payment of costs of issuance may be requisitioned by a Designated Officer(s) in accordance with such Purchase Agreement.

Section 21. **Approval of Actions.** All actions heretofore taken by officers, agents and consultants of the District with respect to the sale and issuance of the Series 2016-B Bonds are hereby approved, confirmed and ratified. The President and Clerk of the District Board and the Superintendent and the Designated Officer(s) are each authorized and directed in the name and on behalf of the District to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2016-B Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer shall be absent or unavailable.

Section 22. **Other Actions.** The President and Clerk of the District Board, and the Designated Officers of the District, are authorized and directed to execute all other documents and to take all actions necessary to cause or facilitate the issuance and delivery of the Series 2016-B Bonds.

Section 23. **Partial Invalidity; Severability.** If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution on the part of the District to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreement or portions thereof and shall in no way affect the validity of this Resolution or of the Series 2016-B Bonds; but the Bond owners shall retain all rights and benefits accorded to them under any applicable provisions of law. The District hereby declares that it would have approved this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series 2016-B Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 24. **Governing Law.** This Resolution shall be construed and governed in accordance with the laws of the State of California.

Section 25. **County Filing.** The Clerk of the District Board is hereby directed to file, or cause to be filed, certified copies of this Resolution with the Clerk of the Riverside County Board of Supervisors and the Superintendent of Schools of Riverside County.

Section 26. **Effective Date.** The provisions of this Resolution shall take effect immediately upon adoption.

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ADOPTED, SIGNED and **APPROVED** this 5th day of April, 2016, by the Board of Education of the Temecula Valley Unified School District of the County of Riverside, State of California.

BOARD OF EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

By: ______________________________
President of the Board of Education for the Temecula Valley Unified School District

ATTEST:

By: ______________________________
Clerk of the Board of Education for the Temecula Valley Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Sandra Hinkson, Clerk of the Board of Education of the Temecula Valley Unified School District, do hereby certify that the foregoing resolution was duly adopted by the Board of Education of the Temecula Valley Unified School District at a meeting thereof held on the 5th day of April, 2016, at which meeting a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law, and that such Resolution was so adopted by the following vote:

AYES: 5

NOES: 0

ABSTAIN: 0

ABSENT: 0

By: ______________________
Clerk of the Board of Education of the Temecula Valley Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Sandra Hinkson, Clerk of the Board of Education of the Temecula Valley Unified School District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 2015-16/23 of such Board and that the same has not been amended or repealed.

Dated this 5th day of April, 2016.

By: ______________________________
Clerk of the Board of Education of the Temecula Valley Unified School District

PRELIMINARY OFFICIAL STATEMENT DATED __________, 2016

NEW ISSUE – FULL BOOK-ENTRY

RATINGS: (See "RATINGS" herein.)
Insured: Standard & Poor's: "___"
Underlying: Fitch: "___"; Standard & Poor's: "___"

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel interest on the Series 2016-B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Series 2016-B Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016-B Bonds. See "TAX MATTERS – Opinion of Bond Counsel" herein.

$37,500,000 *
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016-B

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

This Official Statement describes the $37,500,000* Temecula Valley Unified School District General Obligation Bonds, 2012 Election, Series 2016-B (the "Series 2016-B Bonds"). The Series 2016-B Bonds are being issued by the County of Riverside (the "County") on behalf of Temecula Valley Unified School District (the "School District") to finance and make improvements to eligible public school facilities, to pay interest on the Series 2016-B Bonds accrued through August 1, 2016,* and to pay certain costs of issuance of the Series 2016-B Bonds. See "THE SERIES 2016-B BONDS."

The Series 2016-B Bonds represent a general obligation of the School District and are secured by taxes levied against taxable property within the School District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon property within the School District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal and accreted value of and interest on the Series 2016-B Bonds when due. Pursuant to a special election of the registered voters of the School District held on November 6, 2012, at least 55% of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $165,000,000 principal amount of general obligation bonds of the School District to finance authorized school facilities. See "INTRODUCTION – Sources of Payment for the Series 2016-B Bonds," "THE SERIES 2016-B BONDS – Security," and "TAX BASE FOR REPAYMENT OF THE SERIES 2016-B BONDS – *Ad Valorem* Property Taxation."

The Series 2016-B Bonds shall be issued in denominations of $5,000 principal, maturity or accreted amount, as applicable, or any integral multiple thereof. The Series 2016-B Bonds are being issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), as further described herein. Interest on the Current Interest Bonds is payable on August 1, 2016, and thereafter on each February 1 and August 1 to maturity. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2016.

The Series 2016-B Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company (collective referred to herein as "DTC"). Purchasers of beneficial ownership interests in the Series 2016-B Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Series 2016-B Bonds. Payment to registered owners of $1,000,000 or more in principal of Current Interest Bonds, at the registered owner's written request, will be by wire transfer to an account in the United States of America. Payments of principal (or, in the case of Capital Appreciation Bonds, the maturity or accreted value) of and interest on the Series 2016-B Bonds will be paid by U.S. Bank National Association, as Paying Agent, Registrar and Transfer Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Series 2016-B Bonds. (See "THE SERIES 2016-B BONDS – Book-Entry-Only System.")

The Series 2016-B Bonds are subject to optional redemption and mandatory redemption prior to maturity. See "THE SERIES 2016-B BONDS – Optional Redemption" and " – Mandatory Redemption."

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*Preliminary, subject to change.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Series 2016-B Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2016-B Bonds by **[INSURER]** ("[Insurer]" or the "Insurer").

[INSURER logo]

This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Series 2016-B Bonds. Potential investors must read the entire official statement to obtain information essential in making an informed investment decision.

MATURITY SCHEDULE
on inside cover.

The Series 2016-B Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as Bond Counsel to the School District, and subject to certain other conditions. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel to the School District. Certain legal matters will be passed on for the School District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as District Counsel, for the Underwriter by its counsel, Nossaman LLP, Irvine, California and for the County by County Counsel, and for the Bond Insurer by its _______________. It is anticipated that the Series 2016-B Bonds, in book-entry form, will be available through the facilities of DTC on or about __________, 2016.

[INSERT LOGO:]

STIFEL

The date of this Official Statement is: __________, 2016

$37,500,000 *
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016-B

Base CUSIP®†: 87970G

MATURITY SCHEDULE

$_________ 2016 Serial Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2017	$	%	%	
2018				
2019				
2020				
2021				
2022				
20__				
20__				

$_________ _____% Term Current Interest Bonds due August 1, 2045 – Yield _____% CUSIP † No. 87970G__

$_________ Serial Capital Appreciation Bonds

Maturity (August 1)	Initial Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP †
	$	%	%	$	

C Priced to the first optional redemption date of February 1, 2026.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the School District nor the Underwriter takes any responsibility for the accuracy of such numbers.

*Preliminary, subject to change.

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Dr. Kristi Rutz-Robbins, *President*
Sandy Hinkson, *Clerk*
Julie Farnbach, *Board Member*
Kevin Hill, *Board Member*
Dr. Allen Pulsipher, *Board Member*

DISTRICT ADMINISTRATION

Timothy Ritter, *Superintendent*
Lori Ordway-Peck, *Assistant Superintendent of Business Support Services*
Jodi McClay, *Assistant Superintendent, Educational Support Services*
Raymond Johnson, *Assistant Superintendent, Human Resources Department*

PROFESSIONAL SERVICES

BOND COUNSEL/DISTRICT COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

James F. Anderson Law Firm, A Professional Corporation
Laguna Hills, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
Los Angeles, California

UNDERWRITER'S COUNSEL

Nossaman LLP
Irvine, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the School District to give any information or to make any representation with respect to the Series 2016-B Bonds, other than as contained in this Official Statement, and, if given or made, any such information or representation must not be relied upon as having been authorized by the School District or the Underwriter. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Series 2016-B Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2016-B Bonds.

Statements contained in this Official Statement which involve time estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information set forth herein has been furnished by the School District or other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose. All information for investors regarding the School District and the Series 2016-B Bonds is contained in this Official Statement. While the School District maintains an internet website for various purposes, none of the information on such website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Series 2016-Bonds or any other bonds or obligations of the School Districts and should not be relied upon to make investment decisions with respect to the Series 2016-Bonds.

[Insurer] ("[Insurer]") makes no representation regarding the Series 2016-B Bonds or the advisability of investing in the Series 2016-B Bonds. In addition, [Insurer] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [Insurer], supplied by [Insurer] and presented under the heading "BOND INSURANCE" and in "APPENDIX J – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

In connection with offering the Series 2016-B Bonds, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2016-B Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2016-B Bonds to certain securities dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE SERIES 2016-B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2016-B BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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$37,500,000 *
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016-B

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of, and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2016-B Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides information in connection with the sale of Temecula Valley Unified School District General Obligation Bonds, 2012 Election, Series 2016-B (the "Series 2016-B Bonds"), in the aggregate principal amount of $37,500,000.* The Series 2016-B Bonds consist of current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), all as indicated on the inside front cover hereof, to be issued by the County of Riverside (the "County") on behalf of the Temecula Valley Unified School District (the "School District"). See "THE SERIES 2016-B BONDS."

The School District

The Temecula Valley Unified School District (the "School District"), a political subdivision of the State of California, was organized as a unified school district of the State of California (the "State") in 1989 and provides public education for grades kindergarten through twelve within an area of approximately 222 square miles located in the southwest portion of Riverside County (the "County") (includes approximately 9 square miles which was annexed from the Hemet Unified School District on July 1, 2015). As of October 7, 2015, for Fiscal Year 2015-16, the School District maintained school facilities, including 17 elementary schools with an enrollment of approximately 12,284, 6 middle schools with an enrollment of approximately 6,556, 3 comprehensive high schools with an enrollment of approximately 9,374, and 3 alternative education programs with an enrollment of approximately 233, 1 continuation high school with an enrollment of approximately 193, two charter schools with an enrollment of approximately 1,576 and preschool, adult and non-public school special education with populations of approximately 308. Total enrollment was approximately 30,524 students as of the California Basic Educational Data System ("CBEDS") of October 7, 2015. The School District estimates funded average daily attendance in Fiscal Year 2015-16 of approximately 27,161 with a 2015-16 Fiscal Year Local Control Funding Formula ("LCFF") budget of approximately $206,503,548 (as of the School District's Second Interim Report, dated March 15, 2016). For more complete information concerning the School District, including certain financial information, see APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE SCHOOL DISTRICT – Outstanding Debt; Financial Obligations." The School District's audited financial statements for the Fiscal Year ended June 30, 2015, are included as Appendix B and should be read in their entirety.

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*Preliminary, subject to change.

Sources of Payment for the Series 2016-B Bonds

The Series 2016-B Bonds are general obligation bonds of the School District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the School District. The Board of Supervisors (the "Board of Supervisors") of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Series 2016-B Bonds and the interest thereon upon all property within the School District subject to taxation by the School District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Although the County is obligated to levy an *ad valorem* tax for the payment of the Series 2016-B Bonds and to make timely payment of the principal (or, in the case of Capital Appreciation Bonds, the accreted value or maturity value) of and interest on the Series 2016-B Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Series 2016-B Bonds, the Series 2016-B Bonds are not a debt of the County. The School District received authorization at an election held on November 6, 2012, by an affirmative vote of approximately 64% of the votes cast by eligible voters within the School District (the "Authorization") to issue not to exceed $165,000,000 of general obligation bonds. The Series 2016-B Bonds are the second series of bonds issued under the Authorization. On March 7, 2013, the first series of bonds were issued under the Authorization in the amount of $34,995,069.55 (the "Series 2013-A Bonds"), leaving $130,004,930.45 of the Authorization remaining. After issuance of the Series 2016-B Bonds, $92,504,930.45* will remain unissued. See "THE SERIES 2016-B BONDS – Security" and "TAX BASE FOR REPAYMENT OF SERIES 2016-B BONDS – *Ad Valorem* Property Taxation."

Purpose of Issue

The proceeds of the Series 2016-B Bonds are authorized to be used to finance and make improvements to eligible public school facilities, to pay interest on the Series 2016-B Bonds accrued through August 1, 2016,* and to pay certain costs of issuance of the Series 2016-B Bonds, including the premium for the Policy (defined below). See "THE SERIES 2016-B BONDS" herein.

Description of the Series 2016-B Bonds

Current Interest Bonds and Capital Appreciation Bonds. The Series 2016-B Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds. The Series 2016-B Bonds mature on August 1 in the years and in the amounts indicated on the inside cover page of this Official Statement.

Payments. Interest on the Current Interest Bonds accrues from the date of delivery of the Series 2016-B Bonds at the rates set forth on the inside cover page of this Official Statement and is payable semiannually on each February 1 and August 1, commencing August 1, 2016. The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2016. The principal or maturity value, as applicable, of the Series 2016-B Bonds is payable at maturity upon surrender of the Series 2016-B Bonds for payment. See "THE SERIES 2016-B BONDS – Payment" herein.

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*Preliminary, subject to change.

Registration. The Series 2016-B Bonds will be issued in fully registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be available to actual purchasers of the Series 2016-B Bonds (the "Beneficial Owners") in the denominations set forth on the cover page of this Official Statement, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016-B Bonds. See "THE SERIES 2016-B BONDS – Book-Entry-Only System" and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM." In the event that the book-entry-only system described below is no longer used with respect to the Series 2016-B Bonds, the Series 2016-B Bonds will be registered in accordance with the Bond Resolution (as defined below). See "THE SERIES 2016-B BONDS – Registration, Transfer and Exchange of Series 2016-B Bonds."

Denominations. The Series 2016-B Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 principal, maturity or accreted amount or any integral multiple thereof; provided that one Capital Appreciation Bond may be issued in an odd maturity amount.

Redemption.* The Current Interest Bonds and Capital Appreciation Bonds maturing on or before August 1, 2025, are not subject to redemption. The Current Interest Bonds and Capital Appreciation Bonds maturing on or after August 1, 2026, may be redeemed before maturity, at the option of the School District, in whole or in part on any date on or after February 1, 2026. The Current Interest Bonds are subject to mandatory sinking fund redemption prior to maturity. See "THE SERIES 2016-B BONDS – Optional Redemption" and " – Mandatory Redemption."

Bond Insurance. Concurrently with the issuance of the Series 2016-B Bonds, [Insurer] ("[Insurer]" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Series 2016-B Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Series 2016-B Bonds when due as set forth in the form of the Policy included as Appendix J to this Official Statement. See "BOND INSURANCE."

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Tax Exemption

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel ("Bond Counsel"), subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Series 2016-B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Series 2016-B Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016-B Bonds. For additional details, see "TAX MATTERS – Opinion of Bond Counsel."

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*Preliminary, subject to change.

Authority for Issuance of the Series 2016-B Bonds

The Series 2016-B Bonds are issued pursuant to certain provisions of the State Constitution, the California Government Code ("Government Code") and the California Education Code ("Education Code"), and other applicable law and pursuant to a resolution adopted by the Board of the School District on __________, 2016 (the "School District Resolution") and a resolution adopted by the Board of Supervisors on __________, 2016 (the "County Resolution" and together with the School District Resolution, the "Bond Resolution"). See "THE SERIES 2016-B BONDS – Authority for Issuance" herein.

Offering and Delivery of the Series 2016-B Bonds

The Series 2016-B Bonds are offered when, as and if issued, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Bond Counsel. It is anticipated that the Series 2016-B Bonds will be available for delivery through DTC on or about __________, 2016.

Continuing Disclosure

The School District will agree for the benefit of current registered owners of any Series 2016-B Bonds (the "Owners") to make available certain financial information and operating data relating to the School District and to provide notices of the occurrence of certain enumerated events, in compliance with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of enumerated events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." See "OTHER LEGAL MATTERS – Continuing Disclosure" herein.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the School District with respect to the sale and delivery of the Series 2016-B Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in Appendix D. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as Disclosure Counsel to the School District with respect to the Series 2016-B Bonds. Nossaman LLP, Irvine, California, is serving as Underwriter's Counsel. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Financial Advisor. U.S. Bank National Association, Los Angeles, California, is acting as the initial Paying Agent (the "Paying Agent") with respect to the Series 2016-B Bonds. Certain legal matters will be passed upon for the Insurer by its Associate General Counsel. The payment of fees and expenses of such firms with respect to the Series 2016-B Bonds is contingent on the sale and delivery of the Series 2016-B Bonds. The School District's financial statements for the Fiscal Year ended June 30, 2015, have been audited by Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2014-15."

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The School District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Agreement. Copies of documents referred to herein and information concerning the Series 2016-B Bonds are available from the Assistant Superintendent of Business Services, the Temecula Valley Unified School District, 31350 Rancho Vista Road, Temecula, California 92592, telephone number (951) 506-7940. The School District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016-B Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information from sources other than the School District set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the School District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2016-B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

THE SERIES 2016-B BONDS

Authority for Issuance

The Series 2016-B Bonds are issued pursuant to certain provisions of the State Constitution, the Government Code and the Education Code, and other applicable law and pursuant to the Bond Resolution. An election conducted within the boundaries of the School District was held on November 6, 2012, pursuant to the provisions of the "Safer Schools, Smaller Classes and Financial Accountability Act" (also known as "Proposition 39") and related State legislation. See "INTRODUCTION – Authority for Issuance of the Series 2016-B Bonds."

Security

The Board of Supervisors has the power to and is obligated to annually levy *ad valorem* taxes for the payment of the principal and accreted value of and the interest on the Series 2016-B Bonds upon all property within the School District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Series 2016-B Bonds are outstanding in an amount sufficient to pay the principal and accreted value of and interest on the Series 2016-B Bonds when due. Such taxes, when collected, will be deposited into the Series 2016-B Temecula Valley Unified School District Debt Service Fund (the "Debt Service Fund"), which is maintained by the County and is kept separate and distinct from all other School District and County funds and which is required by State law to be applied for the payment of principal and accreted value of and interest on the Series 2016-B Bonds when due. The School District's general fund is not a source of repayment of the Series 2016-B Bonds. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series 2016-B Bonds and to make timely payment of the principal or accreted value of and interest on the Series 2016-B Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Series 2016-B Bonds, the Series 2016-B Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal, accreted value of and interest on and redemption premium, if any, on the Series 2016-B Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal, accreted value, premium, if any, and interest to its Direct Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2016-B Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Series 2016-B Bonds will be determined by the relationship between the assessed valuation of taxable property in the School District and the amount of debt service due on the Series 2016-B Bonds in any year. Fluctuations in the annual debt service on the Series 2016-B Bonds and the assessed value of taxable property in the School District may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes) or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the School District and necessitate a corresponding increase in the annual tax rate. In future years, the School District expects to issue additional series of bonds up to the remaining Authorization and the School District may issue additional bonds for refunding purposes. Such additional bonds will be issued on a parity with all other general obligation bonds of the School District. For further information regarding the School District's assessed valuation, tax rates, overlapping debt and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF SERIES 2016-B BONDS" herein.

Lien Perfection Process. On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts.

SB 222, applicable to general obligations bonds issued after its effective date, will remove the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds.

Description of the Series 2016-B Bonds

The Series 2016-B Bonds shall be issued in denominations of $5,000 principal, maturity or accreted amount, as applicable, or any integral multiple thereof; provided that one Capital Appreciation Bond may be issued in an odd maturity amount. The Series 2016-B Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds, as further described herein. Interest on the Current Interest Bonds is payable on August 1, 2016, and thereafter on each February 1 and August 1 to maturity. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2016.

The Series 2016-B Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive physical certificates representing their interests in the Series 2016-B Bonds. Principal and accreted value of, premium, if any, and interest on the Series 2016-B Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry-only system. See " – Book-Entry-Only System" and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

See the Maturity Schedule on the inside cover for the maturity schedule of the Series 2016-B Bonds and "DEBT SERVICE SCHEDULE" for the debt service schedule for the Series 2016-B Bonds.

Book-Entry-Only System

The Depository Trust Company (defined above as "DTC") will act as securities depository for the Series 2016-B Bonds. The Series 2016-B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2016-B Bond certificate will be issued for each maturity of the Series 2016-B Bonds, each in the aggregate principal amount or maturity value of such maturity, and will be deposited through the facilities of DTC. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent

U.S. Bank National Association, currently located in Los Angeles, California, will act as the initial registrar, transfer agent, authentication agent and paying agent for the Series 2016-B Bonds. As long as DTC is the registered owner of the Series 2016-B Bonds and DTC's book-entry method is used for the Series 2016-B Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC.

The Paying Agent, the School District, the County and the Underwriter of the Series 2016-B Bonds have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Series 2016-B Bonds.

Payment

Payment of interest on any Series 2016-B Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the close of business on the 15th day of the month immediately preceding such Bond Payment Date, whether or not such day is a business day (the "Record Date"), such interest to be paid by check mailed by first-class mail to such Owner on the Bond Payment Date at his or her address as it appears on such registration books on the Record Date. The Owner of an aggregate principal amount of Current Interest Bonds of $1,000,000 or more may request in writing, prior to the close of business on the Record Date, to the Paying Agent that such Owner be paid interest by wire transfer to the bank in the continental United States of America and account number on file with the Paying Agent as of the Record Date.

Payments of Principal and redemption premiums, if any, with respect to the Current Interest Bonds and the payments of Maturity Value and redemption premiums, if any, with respect to the Capital Appreciation Bonds, shall be payable at maturity or redemption upon surrender at the principal office of the Paying Agent or such other location as the Paying Agent shall designate to the County and the School District in writing. The interest, principal, accreted value and premiums, if any, on the Series 2016-B Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Series 2016-B Bonds when duly presented for payment at maturity and to cancel all Series 2016-B Bonds upon payment thereof. The Series 2016-B Bonds are general obligations of the School District secured by *ad valorem* tax revenues levied and collected pursuant to the California Constitution, the Authorization and State law and do not constitute an obligation of the County, except as provided in the Bond Resolution. No part of any fund of the County is pledged or obligated to the payment of the Series 2016-B Bonds.

Current Interest Bonds. The Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2016, computed using a year of 360 days, comprising twelve 30-day months. Current Interest Bonds authenticated and registered on any date prior to the close of business on July 15, 2016, shall bear interest from their dated date. Current Interest Bonds authenticated during the period between the 15th day of the calendar month immediately preceding the Record Date and the close of business on that Interest Payment Date shall bear interest from that Interest Payment Date or unless it is authenticated on or before the Record Date prior to the initial Interest Payment Date, in which event it shall bear interest from the date of issuance. Any other Current Interest Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Current Interest Bond, interest is then in default on Outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Capital Appreciation Bond will increase in value by the accumulation of earned interest from its initial principal amount on the date of issuance (as stated on the inside front cover page of this Official Statement) to its Maturity Value, as stated on the inside front cover page of this Official Statement. Interest commences to accrue on the date of delivery, and is compounded on each Interest Payment Date, commencing on August 1, 2016, computed using a year of 360 days, comprising twelve 30-day months, and payable only at maturity.

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

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

Optional Redemption *

The Current Interest Bonds maturing on or before August 1, 2025, are not subject to optional redemption prior their respective stated maturity dates. The Current Interest Bonds maturing on or after August 1, 2026, are subject to optional redemption prior to their respective stated maturity dates, at the option of the School District, from any source of available funds, as a whole or in part, on any date on or after February 1, 2026, 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.

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*Preliminary, subject to change.

The Capital Appreciation Bonds maturing on or after August 1, 2026, are subject to optional redemption prior to their stated maturity date, at the option of the School District, from any source of available funds, as a whole or in part, on any date on or after February 1, 2026, at a redemption price equal to the accreted value amount of the Capital Appreciation Bonds called for redemption to the date of such redemption, without premium.

Mandatory Redemption*

The $_________ term Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 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, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
20__	$
20__	
20__	
20__	
20__†	

† Maturity.

The principal amount of any term Current Interest Bond to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Current Interest Bond optionally redeemed prior to the mandatory sinking fund redemption date.

Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any mandatory sinking fund redemption of Series 2016-B Bonds, moneys in the Debt Service Fund may be used to purchase the Outstanding Series 2016-B Bonds that were to be redeemed with such funds in the manner provided in the Bond Resolution. Purchases of Outstanding Series 2016-B Bonds may be made by the School District or the County Treasurer through the Paying Agent prior to the selection of Series 2016-B Bonds for redemption at public or private sale as and when and at such prices as the School District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par, plus accrued interest.

Selection of Series 2016-B Bonds for Redemption

Whenever less than all the outstanding Series 2016-B Bonds are to be redeemed, the Paying Agent, upon written direction from the School District, shall select the Series 2016-B Bonds to be redeemed as so directed and if not so directed, in inverse order of maturity and within a maturity, the Paying Agent shall select the Series 2016-B Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Series 2016-B Bond to be redeemed in part shall be redeemed in the principal or Maturity Value of $5,000 or any integral multiple thereof.

Notice of Redemption

While the Series 2016-B Bonds are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the School District and received and accepted by DTC. DTC and the Participants will *have sole responsibility for providing any such notice of redemption to the beneficial owners of the Series 2016-B Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Bond Resolution.*

The Paying Agent shall give notice of the redemption (a "Redemption Notice") of the Series 2016-B Bonds at the expense of the School District. Such Redemption Notice shall specify: (a) the Series 2016-B Bonds or designated portions thereof (in the case of redemption of the Series 2016-B Bonds in part but not in whole) which are to be redeemed, (b) if less than all of the then-outstanding Series 2016-B Bonds are to be called for redemption, shall designate the numbers (or state that all Series 2016-B Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP® numbers, if any, of the Series 2016-B Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Series 2016-B Bonds and the specific Series 2016-B Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Series 2016-B Bond to be redeemed, the portion of the principal of such Series 2016-B Bond to be redeemed, together with the interest accrued or accreted to the redemption date, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue or accrete, as applicable.

Any Redemption Notice shall be mailed, by first-class mail, postage prepaid, to the Owners of the Series 2016-B Bonds, to a Securities Depository and to a national information service, and by first-class mail, postage prepaid, to the School District and the County and the respective Owners of any registered Series 2016-B Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 20 days, but not more than 45 days, prior to the designated redemption date; *provided* that neither failure to receive such notice, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of such Series 2016-B Bonds nor entitle the Owner thereof to interest beyond the date given for redemption. Neither failure to receive or failure to send, any Redemption Notice, nor any defect in any such Redemption Notice, so mailed shall affect the sufficiency of the proceedings for the redemption of the affected Series 2016-B Bonds, nor entitle the Owner thereof to interest beyond the date given for redemption or affect the cessation of accrual of interest, as applicable, represented thereby from and after the redemption date. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Series 2016-B Bonds shall bear or include the CUSIP® number identifying, by issue and maturity, the Series 2016-B Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Series 2016-B Bonds

Upon the surrender of any Series 2016-B Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Series 2016-B Bond or Series 2016-B Bonds of like tenor and maturity and of authorized denominations equal (i) with respect to any Outstanding Current Interest Bond, the Principal Amount, and (ii) with respect to any Outstanding Capital Appreciation Bond, the Maturity Value, to the unredeemed portion of the Series 2016-B Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the School District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given pursuant to the Bond Resolution, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Series 2016-B Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Series 2016-B Bonds to be redeemed as provided in the Bond Resolution; together with interest accrued to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Bond Resolution, then from and after such redemption date, interest with respect to the Series 2016-B Bonds to be redeemed shall cease to accrue. All money held for the redemption of Series 2016-B Bonds shall be held in trust for the account of the Owners of the Series 2016-B Bonds so to be redeemed.

All Series 2016-B Bonds paid at maturity or redeemed prior to maturity pursuant to the Bond Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the County or the School District. All or any portion of a Series 2016-B Bond purchased by the County or the School District shall be cancelled by the Paying Agent.

Any redemption notice may specify that redemption of the Series 2016-B Bonds designated for redemption on a specified date will be subject to the receipt by the School District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the School District, the County and the Paying Agent will have no liability to the Owners of any Series 2016-B Bonds, or any other party, as a result of the School District's failure to redeem the Series 2016-B Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the School District may rescind any optional redemption of the Series 2016-B Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Series 2016-B Bonds so 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 2016-B 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. Neither the School District nor the Paying Agent will have any liability to the Owners of any Series 2016-B Bonds, or any other party, as a result of the School District's decision to rescind a redemption of any Series 2016-B Bonds pursuant to the provisions of the Bond Resolution.

Defeasance

All or any portion of the outstanding maturities of the Series 2016-B Bonds may be defeased at any time prior to maturity in the following ways:

a. <u>Cash</u>. By irrevocably depositing with a bank or trust company in escrow, an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Series 2016-B Bonds outstanding and designated for defeasance, including all principal, accreted value and interest and redemption premium, if any; or

b. <u>Defeasance Obligations</u>. By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Obligations (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series 2016-B Bonds outstanding and designated for defeasance (including all principal, accreted value, interest thereon and redemption premiums, if any), at or before their maturity date; then, notwithstanding that any of such Series 2016-B Bonds shall not have been surrendered for payment, all obligations of the School District with respect to all such designated outstanding Series 2016-B Bonds shall cease and terminate, except for the obligation of the Paying Agent or an independent escrow agent selected by the School District to pay or cause to be paid from funds deposited pursuant to paragraph (a.) above or this paragraph (b.), to the Owners of such designated Series 2016-B Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Obligations" shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Obligations; and (c) the underlying Defeasance Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; *provided* that such obligations are rated or assessed at the highest then-prevailing United States Treasury securities credit rating.

Registration, Transfer and Exchange of Series 2016-B Bonds

So long as any of the Series 2016-B Bonds remain outstanding, the School District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Series 2016-B Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Series 2016-B Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Series 2016-B Bond for all purposes of the Bond Resolution. Payment of or on account of the principal, premium, if any, and accreted value of, and interest on any Series 2016-B Bond shall be made only to or upon the order of the Owner thereof; the School District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the School District's liability upon the Series 2016-B Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry-only system as described above is no longer used with respect to the Series 2016-B Bonds, the following provisions will govern the transfer and exchange of the Series 2016-B Bonds.

Any Series 2016-B Bond may be exchanged for Series 2016-B Bonds of like tenor, maturity and aggregate principal amount or accreted value, as applicable, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Series 2016-B Bond may (but only if the School District determines no longer to maintain the book-entry-only status of the Series 2016-B Bonds, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the School District to deliver certificated securities to particular DTC Participants) be transferred on the Bond Register only upon surrender of the Series 2016-B Bond for cancellation at the office of the Paying Agent accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Series 2016-B Bond or Series 2016-B Bonds of like tenor and of any authorized denomination or denominations requested by the Owner in the aggregate principal amount or accreted value of the Series 2016-B Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Series 2016-B Bonds, the County shall sign and the Paying Agent shall authenticate and deliver Series 2016-B Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Series 2016-B Bonds issued upon any exchange or transfer shall be valid obligations of the School District, evidencing the same debt and entitled to the same security and benefit under the Bond Resolution as the Series 2016-B Bonds surrendered upon that exchange or transfer.

Any Series 2016-B Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The School District and the County may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Series 2016-B Bonds that the School District and the County may have acquired in any manner whatsoever, and those Series 2016-B Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Series 2016-B Bonds shall be made to the School District and the County by the Paying Agent and updated annually. The cancelled Series 2016-B Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the School District.

Neither the School District nor the Paying Agent will be required (a) to issue or transfer any Series 2016-B Bonds during a period beginning with the day after the Record Date next preceding any Interest Payment Date or beginning the date of selection of Series 2016-B Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given, as applicable, or (b) to transfer any Series 2016-B Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2016-B Bonds are expected to be applied as follows:

Sources:	
Principal Amount of Series 2016-B Bonds	$
Plus Net Original Issue Premium	
Total Sources	$
Uses:	
Building Fund	$
Debt Service Fund(1)	
Underwriter's Discount	
Costs of Issuance(2)	
Total Uses	$

(1) Represents capitalized interest on the Current Interest Bonds accrued through August 1, 2016.*

(2) A portion of the proceeds of the Series 2016-B Bonds will be used to pay costs of issuance, including, but not limited to, Bond Counsel and Disclosure Counsel fees, rating fees, County expenses, Paying Agent fees, bond insurance premium, printing costs and certain other miscellaneous costs of issuance.

*Preliminary, subject to change.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Series 2016-B Bonds (assuming no optional redemptions).

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

(1) Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2016.

Aggregate Debt Service Schedule. The following table shows the debt service schedule with respect to the remaining Outstanding Bonds and the Series 2016-B Bonds (assuming no optional redemptions or extraordinary redemption) through August 1 of each applicable year.

COMBINED DEBT SERVICE SCHEDULE[1]

Period Ending August 1	Series 2004 Bonds	Series 2005 Bonds	Series 2013-A Bonds	Series 2016-B Bonds	Aggregate General Obligation Bonds Debt Service[1]
2016	$2,379,600.00	$488,000.00	$2,305,625.00	–	$5,173,225.00
2017	2,387,750.00	496,000.00	987,225.00		3,870,975.00
2018	2,205,250.00	503,000.00	1,017,225.00		3,725,475.00
2019	2,216,750.00	494,000.00	1,091,025.00		3,801,775.00
2020	687,750.00	539,750.00	1,708,246.26		2,935,746.26
2021	–	797,500.00	1,758,246.26		2,555,746.26
2022	–	811,500.00	1,831,246.26		2,642,746.26
2023	–	823,250.00	1,911,246.26		2,734,496.26
2024	–	832,750.00	1,991,246.26		2,823,996.26
2025	–	840,000.00	2,081,246.26		2,921,246.26
2026	–	–	2,401,246.26		2,401,246.26
2027	–	–	2,495,246.26		2,495,246.26
2028	–	–	2,595,796.26		2,595,796.26
2029	–	–	2,696,421.26		2,696,421.26
2030	–	–	2,805,411.26		2,805,411.26
2031	–	–	2,917,736.26		2,917,736.26
2032	–	–	3,037,966.26		3,037,966.26
2033	–	–	3,155,456.26		3,155,456.26
2034	–	–	3,281,481.26		3,281,481.26
2035	–	–	3,413,281.26		3,413,281.26
2036	–	–	3,550,181.26		3,550,181.26
2037	–	–	3,693,487.50		3,693,487.50
2038	–	–	3,850,000.00		3,850,000.00
2039	–	–	4,007,500.00		4,007,500.00
2040	–	–	4,169,750.00		4,169,750.00
2041	–	–	4,335,750.00		4,335,750.00
2042	–	–	4,504,500.00		4,504,500.00
2043	–	–	–		–
2044	–	–	–		–
2045	–	–	–		–
Total	$9,877,100.00	$6,625,750.00	$73,593,788.92	$	$90,096,938.92

[1] The Series 2016-B Bonds debt service will be included in the Aggregate General Obligation Bonds Debt Service after pricing of the Series 2016-B Bonds.

APPLICATION OF PROCEEDS OF SERIES 2016-B BONDS

Building Fund

A portion of the proceeds from the sale of the Series 2016-B Bonds received by the School District shall be paid to the County to the credit of the fund known as the Temecula Valley Unified School District, Series 2016-B Bonds Building Fund (the "Building Fund") and shall be kept separate and distinct from all other School District and County funds. Such proceeds shall be used solely for authorized purposes which relate to the construction, rehabilitation, modernization or replacement of school facilities, which may include the furnishing and equipping of school facilities or the acquisition or lease of real property for schools or to the payment of certain costs of issuance of the Series 2016-B Bonds. Series 2016-B Bond proceeds may be used to reimburse the School District for eligible costs but Series 2016-B Bond proceeds are not expected to be applied to any reimbursements at this time. Any excess proceeds of the Series 2016-B Bonds not needed for the authorized purposes for which the Series 2016-B Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal and accreted value of and interest on the Series 2016-B Bonds. If, after payment in full of the Series 2016-B Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the School District. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

Premium received by the School District from the sale of the Series 2016-B Bonds shall be kept separate and apart in the Debt Service Fund and shall be used only for payment of interest on the Series 2016-B Bonds accrued through August 1, 2016.* The *ad valorem* property taxes levied by the County for the payment of the Series 2016-B Bonds, when collected, will be deposited into the Debt Service Fund. The Series 2016-B Bonds shall be paid from the Debt Service Fund. Interest earnings on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the School District to pay principal and accreted value of and interest on the Series 2016-B Bonds when due (subject to compliance with applicable federal tax code requirements).

Permitted Investments

The Treasurer and Tax Collector of the County (the "County Treasurer") is authorized to invest the proceeds of the sale of the Series 2016-B Bonds and all proceeds of taxes for payment of the Series 2016-B Bonds in the County Pooled Investment Fund (as defined below) into which the School District may lawfully invest its funds. Upon the written direction of the School District, the County Treasurer may invest Series 2016-B Bond proceeds or proceeds of taxes collected for payment of the Series 2016-B Bonds in any investment permitted by law, including, but not limited to investment agreements which comply with the requirements of each rating agency then rating the Series 2016-B Bonds necessary in order to maintain the then-current rating on the Series 2016-B Bonds or in the Local Agency Investment Fund established by the State Treasurer.

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*Preliminary, subject to change.

RIVERSIDE COUNTY TREASURY POOL

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

The information in Appendix F and Appendix G has been provided by the County Treasurer. Neither the School District nor the Underwriter has made an independent investigation of the investments in the County Pooled Investment Fund and neither the School District nor the Underwriter has made any assessment of the current County Treasurer's Statement of Investment Policy. The value of the various investments in the County Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including the investments in the County Pooled Investment Fund, generally prevailing interest rates and other economic conditions. The County Treasurer's Statement of Investment Policy is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Investment Oversight Committee, pursuant to the requirements of California Government Code Section 27133. The County Treasurer, with the consent of the Investment Oversight Committee and the approval of the County Board of Supervisors, may change the County Treasurer's Statement of Investment Policy at any time. Finally, there are proposed, from time to time in the State Legislature, bills which could modify the currently authorized investments and/or place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurance that the values of the various investments in the County Pooled Investment Fund will not vary significantly from the values described herein.

TAX BASE FOR REPAYMENT OF SERIES 2016-B BONDS

The information in this section describes ad valorem *property taxation, assessed valuation and other measures of the tax base of the School District. The Series 2016-B Bonds are payable solely from* ad valorem *taxes levied and collected by the County on taxable property in the School District. The School District's general fund is not a source for the repayment of the Series 2016-B Bonds.*

Ad Valorem Property Taxation

The collection of property taxes is significant to the School District and the Owners of the Series 2016-B Bonds in two respects. First, the County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the School District which are pledged specifically to the repayment of the Series 2016-B Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken in to account in connection with the State's LCFF, which determines the amount of funding received by the School District from the State to operate the School District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the School District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographics. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – Revenue Sources. – THE SCHOOL DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System." As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Series 2016-B Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the School District.

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

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases of such entities may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

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

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utility property, and property (real or personal), for which there is a tax lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Boats and airplanes are examples of unsecured property. Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption a penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer-Tax Collector of the county levying the tax.

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

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the existence of successor agencies to redevelopment agencies or by similar entities which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values in the School District.

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

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Series 2016-B Bonds are based upon the assessed valuation of the parcels of taxable property in the School District. Property taxes allocated to the School District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both School District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the School District is derived from utility property subject to assessment by the SBE. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. This may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the School District) according to statutory formulae generally based on the distribution of taxes in the prior year. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating non-unitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the

School District to non-utility companies will increase the assessed value of property in the School 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 School District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the School District, as the value is shared among the other jurisdictions in the County. The School District is unable to predict future transfers of State-assessed property in the School 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 School District

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

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

Teeter Plan

The following information has been provided by the County for inclusion in this Official Statement.

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

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of 3% of the total of all taxes and assessments levied on the secured roll for that year, 1% of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors by August 1 of any fiscal year, the 10% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for the agency. The School District knows of no consideration by the County to discontinue the Teeter Plan.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan. The *ad valorem* taxes for payment of the Series 2016-B Bonds are included in the County's Teeter Program.

Assessed Valuations

Property within the School District had a total assessed valuation for Fiscal Year 2015-16 of $20,091,949,928. Table 1 below shows the assessed valuation in the School District for Fiscal Years 2003-04 through 2015-16.

Table 1
ASSESSED VALUATIONS
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Years 2003-04 through 2015-16

Fiscal Year	Secured Valuation	Utility	Unsecured Valuation	Total	% Change
2003-04	$9,002,554,544	$385,192	$441,790,321	$9,414,730,057	N/A
2004-05	10,936,538,602	385,192	453,135,096	11,390,058,890	20.98%
2005-06	13,654,743,379	320,287	485,635,237	14,140,698,903	24.15
2006-07	16,197,715,970	413,258	510,313,742	16,708,442,970	18.16
2007-08	18,378,783,830	413,258	728,936,678	19,108,133,766	14.36
2008-09	17,959,502,121	413,258	1,066,461,844	19,026,377,223	(0.43)
2009-10	15,654,169,960	413,258	899,789,904	16,554,373,122	(12.99)
2010-11	15,448,859,227	413,258	875,022,353	16,324,294,838	(1.39)
2011-12	15,541,304,506	413,258	837,589,403	16,379,307,167	0.34
2012-13	15,578,491,680	229,241	886,621,071	16,465,341,992	0.53
2013-14	16,461,295,287	229,241	765,536,966	17,227,061,494	4.63
2014-15	18,058,337,592	229,241	759,083,642	18,817,650,475	9.23
2015-16	19,381,231,906	229,241	710,488,781	20,091,949,928	6.77

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the School District's control, such as a general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought, fire, toxic contamination, 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. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Series 2016-B Bonds.

With respect to droughts specifically, the State of California in recent years has been facing water shortfalls. On January 17, 2014, the Governor declared a state of drought emergency, calling on Californians to conserve water. As part of his declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Thereafter, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the Water Board impose restrictions to achieve a statewide 25% reduction in urban water usage through February 28, 2016. On November 13, 2015, the Governor issued an executive order which stated that if the drought conditions persist through January 2016, the Water Board shall extend until October 31, 2016, restrictions to achieve a statewide reduction in urban potable water usage, that the Water Board consider modifying existing restrictions to address use of potable and non-potable water, and that the California Public Utilities Commission be requested to take similar action with respect to investor owned utilities providing water service. On December 1, 2015, the Department of Water Resources announced an initial 2016 allocation of 10% for customers of the State Water Project. As of March 17, 2016, the Department of Water Resources announced a 2016 allocation of 45% for customers of the State Water Project, although that amount could be higher. Depending upon the amount of rain and snow that reaches California this winter, the allocation maybe increased or decreased.

The historic drought has lasted for years and will not be resolved by a single year's rainfall. The implementation of mandatory water reductions is ongoing. The School District cannot predict how long the drought conditions will last, what effect drought conditions may have on property values or whether to what extent water reduction requirements may affect the homeowners or other property owners in the School District.

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

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

In addition, Article 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 School District in the future. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Table 2 below shows the Assessed Valuation by Jurisdiction for the Fiscal Year 2015-16.

Table 2
ASSESSED VALUATIONS BY JURISDICTION
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Year 2015-16 [1]

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Murrieta	$3,934,500	0.02%	$11,623,964,976	0.03%
City of Temecula	14,054,053,094	69.95	14,055,545,643	99.99
Unincorporated Riverside County	6,033,962,334	30.03	$36,331,022,777	16.61
Total District	$20,091,949,928	100.00%		
Riverside County	$20,091,949,928	100.00%	$238,256,114,839	8.43%

[1] Before deduction of redevelopment (successor entity) incremental valuation.

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Table 3 below summarizes the annual secured tax charges for debt service within the School District and the amount delinquent as of June 30 for the previous five fiscal years. Under the terms of the County's Teeter Plan, the School District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

Table 3
SECURED TAX CHARGES AND DELINQUENCIES
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Secured Tax Charge [1]	Delinquent Taxes Secured as of June 30	% Delinquent June 30
2010-11	$3,521,619.96	$98,381.20	2.79%
2011-12	3,866,024.54	80,723.11	2.09
2012-13	4,220,634.85	54,900.66	1.30
2013-14	6,008,859.87	68,432.06	1.14
2014-15	5,393,960.95	47,635.28	0.88

[1] School District's general obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

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 2016-B 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 2016-B Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the School 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 School District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal and accreted value of and interest on the Series 2016-B Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

There are a total of 141 tax rate areas in the School District. A representative tax rate area in the School District, Tax Rate Area 13-004, had a Fiscal Year 2015-16 assessed valuation of \$2,600,542,422, which is 12.94% of the total School District's assessed valuation. Table 4 below shows the *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 13-004 within the School District from Fiscal Years 2011-12 through 2015-16.

Table 4
TYPICAL TOTAL *AD VALOREM* TAX RATES AS A PERCENTAGE OF ASSESSED VALUATION (TRA 13-004)
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Years 2011-12 through 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Temecula Valley Unified School District	.02527	.02740	.03696	.03019	.02741
Mount San Jacinto Community College District	–	–	–	–	.01394
Metropolitan Water District	.00370	.00350	.00350	.00350	.00350
Total	1.02897%	1.03090%	1.04046%	1.03369%	1.04485%

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2016-B Bonds to be approved by a 55% popular vote, bonds approved by the School District's voters at the November 6, 2012, election may not be issued unless the School District projects that repayment of all outstanding bonds approved at such election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the School District at the time of issuance of the Series 2016-B Bonds, the School District projects that the maximum tax rate required to repay the Series 2016-B Bonds approved at such November 6, 2012, 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 Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2016-B Bonds in each year.

Largest Property Owners

Table 5 below lists the 20 largest owners of taxable property within the School District measured by secured assessed valuation for Fiscal Year 2015-16.

Table 5
20 LARGEST 2015-16 LOCAL SECURED TAXPAYERS
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Year 2015-16

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	% of Total [1]
1.	Temecula Towne Center Associates	Shopping Center	$ 151,344,039	0.78%
2.	Abbott Cardiovascular Systems Inc.	Industrial	115,469,946	0.60
3.	Advanced Cardiovascular System Inc.	Industrial	105,125,708	0.54
4.	Temecula Valley Hospital Inc.	Medical Buildings	100,393,580	0.52
5.	International Rectifier Corp.	Industrial	79,629,604	0.41
6.	LIPT Winchester Road Inc.	Shopping Center	61,198,799	0.32
7.	Medline Industries Inc.	Industrial	59,668,830	0.31
8.	Vineyards Temecula Apartments	Apartments	59,526,253	0.31
9.	Redhawk Towne Center II	Shopping Center	57,985,814	0.30
10.	Fairfield Solana Ridge	Apartments	55,107,766	0.28
11.	Cape May Harveston Co. Inc.	Apartments	53,226,184	0.27
12.	Temecula 2 Conventional Apartments	Apartments	52,361,921	0.27
13.	Inland Western Temecula Commons	Industrial	50,999,577	0.26
14.	Kimco Palm Plaza	Shopping Center	49,579,757	0.26
15.	FG Temecula Senior Apartments	Apartments	48,411,150	0.25
16.	BACM 2006 5 Rancho California LP	Shopping Center	42,640,158	0.22
17.	APA 9 Owner	Apartments	42,333,624	0.22
18.	MG Sage Canyon Apartments	Apartments	39,779,405	0.21
19.	Macys California Inc.	Commercial	38,651,407	0.20
20.	Temecula Ridge LP	Apartments	36,256,855	0.19
			$1,299,690,377	6.71%

(1) 2015-16 local secured assessed valuation: $19,381,231,906

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

Table 6 below provides a distribution of taxable property located in the School District on the 2015-16 tax roll by principal purpose for which the land is used and the secured assessed valuation and number of parcels for each use.

Table 6
FISCAL YEAR 2015-16
ASSESSED VALUATION AND PARCELS BY LAND USE[1]
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

	2015-16 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$304,076,570	1.57%	827	1.61%
Commercial/Industrial	3,584,839,996	18.50	1,715	3.35
Vacant Commercial/Industrial	278,091,505	1.43	500	0.98
Other Vacant/Miscellaneous	130,547,069	0.67	1,916	3.74
Subtotal Non-Residential	$4,297,555,140	22.17%	4,958	9.67%
Residential:				
Single Family Residence	$13,412,141,450	69.20%	39,324	76.71%
Condominium/Townhouse	570,640,583	2.94	2,821	5.50
Mobile Home/Lots	106,020,730	0.55	715	1.39
2-4 Residential Units	57,935,020	0.30	89	0.17
5+ Residential Units/Apartments	637,365,305	3.29	38	0.07
Miscellaneous Residential	389,700	0.00	5	0.01
Vacant Residential	299,183,978	1.54	3,310	6.46
Subtotal Residential	$15,083,676,766	77.83%	46,302	90.33%
Total	$19,381,231,906	100.00%	51,260	100.00%

[1] Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes

Table 7 below shows the distribution of secured assessed valuation of single-family homes in the School District for tax year 2015-16.

Table 7
PER PARCEL FISCAL YEAR 2015-16
ASSESSED VALUATION OF SINGLE-FAMILY HOMES[1]
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

	No. of Parcels	2015-16 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	39,324	$13,412,141,450	$341,068	$323,263

2015-16 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	39	0.099%	0.099%	$1,535,661	0.011%	0.011%
$50,000 - $99,999	226	0.575	0.674	17,210,650	0.128	0.140
$100,000 - $149,999	492	1.251	1.925	64,813,895	0.483	0.623
$150,000 - $199,999	2,738	6.963	8.888	493,397,883	3.679	4.302
$200,000 - $249,999	5,600	14.241	23.128	1,269,332,322	9.464	13.766
$250,000 - $299,999	6,738	17.135	40.263	1,852,133,400	13.809	27.575
$300,000 - $349,999	7,828	19.906	60.169	2,538,457,592	18.927	46.502
$350,000 - $399,999	6,192	15.746	75.915	2,312,838,580	17.244	63.746
$400,000 - $449,999	4,175	10.617	86.532	1,766,439,993	13.170	76.917
$450,000 - $499,999	2,184	5.554	92.086	1,029,733,141	7.678	84.594
$500,000 - $549,999	1,041	2.647	94.733	542,422,182	4.044	88.638
$550,000 - $599,999	606	1.541	96.275	347,587,327	2.592	91.230
$600,000 - $649,999	429	1.091	97.365	266,485,230	1.987	93.217
$650,000 - $699,999	224	0.570	97.935	151,334,874	1.128	94.345
$700,000 - $749,999	218	0.554	98.489	157,299,834	1.173	95.518
$750,000 - $799,999	112	0.285	98.774	86,548,341	0.645	96.163
$800,000 - $849,999	79	0.201	98.975	64,977,827	0.484	96.648
$850,000 - $899,999	60	0.153	99.128	52,203,362	0.389	97.037
$900,000 - $949,999	54	0.137	99.265	49,863,419	0.372	97.409
$950,000 - $999,999	60	0.153	99.418	58,387,099	0.435	97.844
$1,000,000 and greater	229	0.582	100.000	289,138,838	2.156	100.000
Total	39,324	100.000%		$13,412,141,450	100.000%	

[1] Improved single family residential parcels. Excludes condominiums and parcels with multiple-family units.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The School District and the Underwriter have not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

Table 8
Estimated Direct and Overlapping Bonded Debt
as of March 1, 2016
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

2015-16 Assessed Valuation: $20,091,949,928

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/16	
Metropolitan Water District	0.816%	$ 900,976	
Riverside County Flood Control and Water Control Zone No. 4	0.169	34,899	
Mount San Jacinto Community College District	26.273	18,391,100	
Temecula Valley Unified School District	**100.000**	**48,475,070**	(1)
Temecula Valley Unified School District Community Facilities Districts	100.000	83,985,000	
Rancho California Water District Community Facilities District No. 88-3	100.000	495,000	
Eastern Municipal Water District, I.D. Nos. 22, 23, 24 & U-8	0.102-92.972	3,857,043	
Eastern Municipal Water District Community Facilities Districts	100.000	78,563,000	
City of Temecula Community Facilities Districts	100.000	96,240,000	
Riverside County Community Facilities District No. 07-2	25.334	6,376,482	
Riverside County and Special District 1915 Act Bonds (Estimated)	100.000	4,510,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$341,828,570	
OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	8.433%	$ 78,177,654	
Riverside County Pension Obligation Bonds	8.433	27,025,235	
Riverside County Board of Education Certificates of Participation	8.433	78,849	
City of Murrieta General Fund Obligations	0.034	2,808	
City of Temecula General Fund Obligations	99.989	22,408,535	
TOTAL OVERLAPPING GENERAL FUND DEBT		$127,693,081	
Less: Riverside County supported obligations		(581,482)	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$127,111,599	
OVERLAPPING TAX INCREMENT DEBT:			
Riverside County Redevelopment Agency	0.325-1.460%	$ 2,485,705	
Temecula Redevelopment Agency	100.000	83,600,000	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$86,085,705	
GROSS COMBINED TOTAL DEBT		$555,607,356	(2)
NET COMBINED TOTAL DEBT		$555,025,874	

(1) Excludes the Series 2016-B Bonds described herein.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Direct Debt ($48,475,000) 0.24%
Total Direct and Overlapping Tax and Assessment Debt........ 1.70%
Gross Combined Total Debt........ 2.77%
Net Combined Total Debt........ 2.76%

Ratios to Redevelopment Incremental Valuation ($1,839,001,558):
Overlapping Tax Increment Debt........ 4.68%

Source: California Municipal Statistics, Inc.

See "APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – District Obligations."

BOND INSURANCE

Set forth below is a brief summary of certain information concerning [Insurer] and the terms of the Insurance Policy. The information relating to [Insurer] and the Insurance Policy contained below has been supplied to the School District by [Insurer]. No representation is made by the School District as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of [Insurer] subsequent to the date of this Official Statement.

Bond Insurance Policy

Concurrently with the issuance of the Series 2016-B Bonds, [Insurer] will issue the Policy for the Series 2016-B Bonds. The Policy guarantees the scheduled payment of principal of (or in the case of Capital Appreciation Bonds, the accreted value) and interest on the Series 2016-B Bonds when due as set forth in the form of the Policy included as Appendix J to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

[Insurer]

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel ("Bond Counsel"), subject, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Series 2016-B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016-B Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2016-B Bonds.

In the further opinion of Bond Counsel, interest on the Series 2016-B Bonds is exempt from State of California personal income taxation.

Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016-B Bonds.

See APPENDIX D – "PROPOSED FORM OF OPINION OF BOND COUNSEL" for the proposed form of opinion of Bond Counsel.

Bond Counsel's engagement with respect to the Series 2016-B Bonds ends with the issuance of the Series 2016-B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the Beneficial Owners of the Series 2016-B Bonds regarding the tax-exempt status of the Series 2016-B Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the School District and its appointed counsel, including the Beneficial Owners of the Series 2016-B Bonds, 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 Internal Revenue Service positions with which the School District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series 2016-B 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 2016-B Bonds, and may cause the School District or the Beneficial Owners of the Series 2016-B Bonds to incur significant expense.

Original Issue Discount; Premium Bonds

The initial public offering prices of the Series 2016-B Bonds, may be less than the amount payable with respect to such Bonds at maturity. An amount not less than the difference between the initial public offering price of a Bond and the amount payable at the maturity of such Bond constitutes original issue discount. Original issue discount on a tax-exempt obligation, such as the Series 2016-B Bonds, accrues on a compounded basis. The amount of original issue discount that accrues to the owner of a Bond issued with original issue discount will be excludable from such owner's gross income and will increase the owner's adjusted basis in such Bond potentially affecting the amount of gain or loss realized upon the owner's sale or other disposition of such Bond. The amount of original issue discount that accrues in each year is not included as a tax preference for purposes of calculating alternative minimum taxable income and may therefore affect a taxpayer's alternative minimum tax liability. Consequently, taxpayers owning the Series 2016-B Bonds issued with original issue discount should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the taxpayer has not received cash attributable to such original issue discount in such year.

Owners should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount properly accruable with respect to the Series 2016-B Bonds, other federal income tax consequences of owning tax-exempt obligations with original issue discount and any state and local consequences of owning the Series 2016-B Bonds.

The Series 2016-B Bonds purchased, whether at original issuance or otherwise, for an amount greater 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 Series 2016-B Bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However a purchaser's basis in a Premium Bond and, under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2016-B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Series 2016-B Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2016-B Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2016-B Bonds. Prospective purchasers of the Series 2016-B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement, under the above caption " – Proposed Forms of Opinions of Bond Counsel," interest on the Series 2016-B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date such Series 2016-B Bonds were issued as a result of future acts or omissions of the School District in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Series 2016-B Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Bond Resolution.

Internal Revenue Service Audit of Municipal Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing or examination of tax-exempt securities issues, including both random and targeted audits. It is possible that the Series 2016-B Bonds will be selected for audit or examination by the Internal Revenue Service. It is also possible that the market value of the Series 2016-B Bonds might be affected as a result of such an audit of the Series 2016-B Bonds (or by an audit of similar bonds or securities).

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid on tax-exempt obligations, including the Series 2016-B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing Series 2016-B Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2016-B Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the

Owner's federal income tax once the required information is furnished to the Internal Revenue Service. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Series 2016-B Bonds.

OTHER LEGAL MATTERS

Continuing Disclosure

The School District has covenanted for the benefit of owners and Beneficial Owners of the Series 2016-B Bonds to provide certain financial information and operating data relating to the School District (the "Annual Report") by not later than eight months following the end of the School District's fiscal year (which shall be March 1 of each year, so long as the School District's fiscal year ends on June 30), commencing with the report for the 2015-16 Fiscal Year (which will be due not later than March 1, 2017), and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the School District with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access System ("EMMA") in an electronic format and accompanied by identifying information as prescribed by the MSRB. Any notices of enumerated events will be filed by the School District with the MSRB through the EMMA System. The specific nature of the information to be made available and to be contained in the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with the Rule.

[UPDATE] In the previous five years, the School District and community facilities districts formed by the School District have complied timely with all their previous undertakings under the Rule, except that the School District's annual audited financial statements for the year ended June 30, 2010, and the School District's budget for Fiscal Year 2010/11 were provided by a link to the School District's website. As of May 4, 2011, the June 30, 2010, audited financial statements and Fiscal Year 2010/11 budget had been posted on the EMMA website of the MSRB and the School District has provided such material as required by the Rule since that date.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinions of Bond Counsel, the proposed forms of which are attached hereto as Appendix D, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The rights of the Owners of the Series 2016-B Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Beneficial Owners of the Series 2016-B Bonds, and the obligations incurred by the School District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, the limitations on remedies against school and community college districts on the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Series 2016-B Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

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

The Bond Resolution and the State Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the School District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Series 2016-B Bonds. The County, on behalf of the School District, is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Series 2016-B Bonds and may invest these funds in the County's Treasury Pool, as described above. In the event the School District or the County were to enter into bankruptcy proceedings, a federal bankruptcy court might hold that the owners of the Series 2016-B Bonds are unsecured creditors with respect to any funds received by the School District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the respective Debt Service Funds, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Series 2016-B Bonds under the Owners of the Series 2016-B Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payment on the Series 2016-B Bonds.

Legality for Investment in California

Under provisions of the California Financial Code, the Series 2016-B Bonds are legal investments for commercial banks in California to the extent that the Series 2016-B Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Series 2016-B Bonds, and a certificate or certificates to that effect will be executed by a School District authorized officer at the time of the original delivery of the Series 2016-B Bonds. The School District is not aware of any litigation pending or threatened questioning the political existence of the School District or contesting the School District's ability to receive *ad valorem* taxes or contesting the School District's ability to issue and retire the Series 2016-B Bonds.

RATINGS

The Series 2016-B Bonds have been assigned a rating of "___" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") with the understanding that, upon delivery of the Series 2016-B Bonds, the Policy will be issued by the Insurer. The Series 2016-B Bonds have been assigned an underlying rating of "___" by S&P. The Series 2016-B Bonds have been assigned a rating of "___" by Fitch Ratings. Fitch Ratings does not rate the Insurer. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same, through their websites. See "BOND INSURANCE" herein for a discussion of the rating assigned to the Insurer. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Some information provided to the rating agencies by the School District may not appear in this Official Statement. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely or placed under review or "Credit Alert" by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Series 2016-B Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed to purchase the Series 2016-B Bonds at a price of $__________, consisting of the principal amount of the Series 2016-B Bonds of $__________, plus a net premium of $__________, less an Underwriter's discount of $__________. The Bond Purchase Agreement relating to the Series 2016-B Bonds provides that the Underwriter will purchase all of the Series 2016-B Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. A predecessor investment banking firm to the Underwriter made contributions to an organization for the support of the passage of the Authorization.

The Underwriter may offer and sell Series 2016-B Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Series 2016-B Bonds, the Bond Resolution and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from School District records. This Official Statement has been approved by the School District Board of Education.

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

By: ______________________________

Timothy Ritter, Superintendent

APPENDIX A

INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET

Principal of and interest on the Series 2016-B Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. (See "THE SERIES 2016-B BONDS – Security" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 39, 98, 111, and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these constitutional and statutory measures on the ability of the County to levy taxes and of the School District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Series 2016-B Bonds. The tax levied by the County for payment of the Series 2016-B Bonds was approved by the School District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.

THE SCHOOL DISTRICT

The information in this section concerning the School District is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and accreted value of or interest on the Series 2016-B Bonds is payable from the general fund of the School District. The Series 2016-B Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the County on taxable property within the School District in an amount sufficient for the payment thereof. See "THE SERIES 2016-B BONDS – Security" herein.*

General Information

The Temecula Valley Unified School District (the "School District"), a political subdivision of the State of California, was organized as a unified school district of the State of California (the "State") in 1989 and provides public education for grades kindergarten through twelve within an area of approximately 222 square miles located in the southwest portion of Riverside County (the "County") (includes approximately 9 square miles which was annexed from the Hemet Unified School District on July 1, 2015). As of October 1, 2015, for Fiscal Year 2015-16, the School District maintained school facilities, including 17 elementary schools with an enrollment of approximately 12,284, 6 middle schools with an enrollment of approximately 6,556, 3 comprehensive high schools with an enrollment of approximately 9,374, and 3 alternative education programs with an enrollment of approximately 233, 1 continuation high school with an enrollment of approximately 193 two charter schools with an enrollment of approximately 1,576 and preschool, adult and non-public school special education with populations of approximately 308. Total enrollment was approximately 30,524 students as of the California Basic Educational Data System ("CBEDS") of October 7, 2015 The School District estimates funded average daily attendance in Fiscal Year 2015-16 of approximately 27,161 with a 2015-16 Fiscal Year Local Control Funding Formula ("LCFF") budget of approximately $206,503,548 (as of the School District's Second Interim Report, dated March 15, 2016). For more complete information concerning the School District, including certain financial information, see APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE SCHOOL DISTRICT – Outstanding Debt; Financial Obligations." The School District's audited financial statements for the Fiscal Year ended June 30, 2015, are included as Appendix B and should be read in their entirety.

Administration

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

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

Board of Education
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

Name	Office	Current Term Expires
Dr. Kristi Rutz-Robbins	President	December 2016
Sandy Hinkson	Clerk	December 2018
Julie Farnbach	Board Member	December 2018
Kevin Hill	Board Member	December 2018
Dr. Allen Pulsipher	Board Member	December 2016

Superintendent and Administrative Personnel

The Superintendent of the School District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the School District's day to-day operations and supervises the work of other School District administrators and supervisors.

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

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

State Education Funding; Proposition 98. On November 8, 1988, California voters approved Proposition 98 ("Proposition 98"), a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The State Department of Finance indicates that Proposition 98's share of General Fund tax proceeds averages about 40 percent. As a percentage of new (additional) General Fund tax revenues, Proposition 98 gets approximately 60 percent. That is, for an increase in General Fund tax proceeds of $100 million, Proposition 98 would get about $60 million on the average.

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

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

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

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

Because the School District's legal minimum funding level is not expected to be met from local property taxes alone, the School District budgeted receipt of general operating funds from the State in Fiscal Year 2014-15 and Fiscal Year 2015-16. The School District projects receipt of approximately $206.5 million in local control funding from the State in Fiscal Year 2015-16. The School District also projects receipt of approximately $44.6 million of Other State unrestricted funding in Fiscal Year 2015-16. Total State funding accounts for approximately 96.9% of the School District's overall revenues. As a result, decrease or deferrals in State revenues, or in State legislative appropriations made to fund education may significantly affect School District operations.

Average Daily Attendance

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. Table A-1 below sets forth the School District's enrollment and average daily attendance ("ADA"), for Fiscal Years 2010-11 through 2017-18.

Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

Table A-1
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
CBEDS AND AVERAGE DAILY ATTENDANCE
Fiscal Years 2010-11 through 2017-18

Fiscal Year	CBEDs Enrollment[1]	Average Daily Attendance
2010-11	29,014	27,767.87
2011-12	28,763	27,772.04
2012-13	28,731	27,450.70
2013-14	28,522	27,348.71
2014-15	28,479	27,287.18
2015-16[2]	28,419	27,160.51
2016-17[2]	28,362	27,145.03
2017-18[2]	28,305	27,064.60

[1] CBEDs is enrollment, not average daily attendance.
[2] Estimated.

Source: Temecula Valley Unified School District.

The following table shows a breakdown of the School District's ADA for purposes of the Local Control Funding Formula by grade span, total enrollment and the percentage of EL/LI student enrollment for Fiscal Years 2013-14 to 2016-17.

Table A-2
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Local Control Funding Formula
ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Year 2013-14 to 2016-17

	Average Daily Attendance[1]					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment[2]
2013-14[3]	7,584.82	6,211.46	4,217.34	9,272.95	27,286.57	28,522	23.21%
2014-15[3]	7,564.47	6,158.85	4,107.60	9,323.74	27,154.66	28,477	22.81
2015-16[4]					[27,155.94]	28,443	26.26
2016-17[4]							

(1) ADA is as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
(2) As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's Fiscal Year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(3) Actual
(4) Projected.

Source: Temecula Valley Unified School District.

Local Control Funding Formula calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

Labor Relations

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers of the School District (certificated non-management personnel) are represented by the Temecula Valley Educators' Association ("TVEA"). The current contract for certificated personnel will expire on June 30, 2017. As of June 30, 2015, the School District's certificated non-management employees had a total payroll of $111,516,410, and for Fiscal Year 2015-16 have a budgeted total payroll of $123,866,492.

The California School Employees' Association ("CSEA") has been selected as the exclusive bargaining agent for non-teaching, non-management (classified) personnel. The current contract for the classified personnel will expire on June 30, 2016. As of June 30, 2015, the School District's classified non-management employees had a total payroll of $38,691,998, and for Fiscal Year 2015-16 have budgeted total payroll of $42,737,797.

Management, supervisory and confidential personnel are comprised of certificated and classified personnel who are self-represented. The Superintendent and upper level management have employment contracts. As of June 30, 2015, the School District's management, supervisory and confidential employees had a total payroll of $12,246,093, and for Fiscal Year 2015-16 have a budgeted total payroll of $13,235,715.

For Fiscal Year 2015-16, the estimated split among the number of certificated, classified and management employees is approximately 58.1% certificated, 36.8% classified and 5.1% management. Table A-2 below sets forth the number of certificated, classified and management employees employed by the School District for Fiscal Years 2011-12 through 2015-16.

Table A-3
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
EMPLOYEES
Fiscal Years 2011-12 through 2015-16

Fiscal Year	Total FTE for Certificated Employees	Total FTE for Classified Employees	Total FTE for Management Employees	Total FTE for Employees
2011-12	1,353.5	766.1	84.5	2,204.1
2012-13	1,251.2	752.9	92.5	2,096.6
2013-14	1,277.5	803.7	109.8	2,191.0
2014-15	1,316.0	850.6	113.5	2,280.1
2015-16(1)	1,350.3	846.7	117.4	2,331.7

*FTE: Full-Time Equivalent.
(1) Second Interim.

Source: Temecula Valley Unified School District.

Retirement Programs

The School District participates in the State Teachers' Retirement System ("STRS"), which provides benefits to full-time certificated personnel. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The School District was required by such statutes to contribute 8.88% of their eligible salary for Fiscal Year 2014-15 and is currently required by such statutes to contribute 10.73% of eligible salary for Fiscal Year 2015-16, while participants were required to contribute 8.15% of their respective salaries for Fiscal Year 2014-15 and are required to contribute 9.20% (classic members) and 8.56% (new members) of their respective salaries for Fiscal Year 2015-16 (see "Pension Reform" below). The State also contributes to STRS. The State's contribution reflects a base contribution and a supplemental contribution that will vary from year to year based on statutory criteria. The State also contributes an amount based on a percentage of annual member earnings into the STRS Supplemental Benefits Maintenance Account, which is used to maintain the purchasing power of benefits.

The School District's contributions to STRS for Fiscal Years 2012-13 through 2014-15 were

$9,003,517, $9,026,477 and $16,731,976, respectively, and is budgeted at $20,297,956 for Fiscal Year 2015-16. The increase in costs in Fiscal Years 2014-15 and 2015-16 is due to the recording of the STRS on-behalf payments (as discussed in the previous paragraph) being booked in accordance with new State requirements effective in Fiscal Year 2014-15. The on-behalf amounts included in these figures for Fiscal Years 2014-15 and 2015-16 are $6.19 million and $6.25 million, respectively.

Interested persons may refer to the STRS website for details regarding its programs – http://www.calstrs.com (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, STRS investments lost substantial value at that time. STRS uses an averaging process that recognizes gains and losses over a three-year period, as a result of which the fund is still being affected by losses incurred during the market downturn. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2014, identified the level of funding for the STRS defined benefit program at 68.5% of full funding based on an actuarial value of assets (73.3% based on a fair market value of assets), with an estimated actuarial obligation of $231.2 billion, an actuarial valuation of assets of $158.4 billion and unfunded actuarial obligations of $72.7 billion. In recent years, historical unfunded actuarial obligations for the defined benefit plan have ranged from being over funded in the late 1990's to the 66.9% of full funding estimated in the June 30, 2013, valuation. Contributions to STRS are generally fixed by State law.

The 2014-15 State Budget included a plan of shared responsibility among the State, school districts and teachers. The Board of STRS periodically meets and adopts valuation assumptions and valuation policy for the retirement program.

The School District also participates in the State of California Public Employees Retirement System ("PERS") which provides benefits to full-time classified personnel and part-time employees who are employed more than 1,000 hours during the year. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. School districts are currently required to contribute to PERS at an actuarially determined rate, which was 11.771% of eligible salary expenditures for Fiscal Year 2014-15 and 11.817% of eligible salary expenditures for Fiscal Year 2015-16, while participants enrolled in PERS prior to the Implementation Date (defined herein) contribute 7% of their respective salaries for Fiscal Year 2014-15 and 7% of their respective salaries for Fiscal Year 2015-16. Participants enrolled after the Implementation Date contribute at an actuarially determined rate, which is 6% of their respective salary for Fiscal Year 2014-15 and 6% of their respective salaries for Fiscal Year 2015-16. See " – Pension Reform" herein.

The School District's contributions to PERS as the employer's portion of the contributions for Fiscal Years 2012-13 through 2014-15 were $4,756,620, $5,049,177 and $4,365,958, respectively, and is budgeted at $4,438,632 for Fiscal Year 2015-16.

Interested persons may refer to the PERS website for details regarding its programs – http://www.calpers.ca.gov (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of the PERS adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. In December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2014, identified the level of funding for the PERS defined benefit program for schools at 86.6% of full funding. PERS website does not provide an estimate of the actuarial obligations, of the estimated actuarial valuation of assets or of the estimated unfunded actuarial obligations. PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification as the PERS governing board determines how to address the unfunded actuarial obligations. At its April 17, 2013 meeting, the Board approved a change to the CalPERS amortization and smoothing policies. Beginning with the June 30, 2014, valuation, the newly adopted direct smoothing method will be used to set the 2015-16 rates for the State and Schools defined benefit plans. Under this new direct-rate smoothing method, all gains and losses will be paid over a fixed 30-year period with the increases or decreases in the rate spread over a 5-year period. The PERS governing board periodically adopted new assumptions regarding the longer life expectancy of state retirees. The June 30, 2014, valuation notes that the changes to the demographic assumptions approved by the Board would be use to set the Fiscal Year 2016-17 contribution rate for School employers. The increase in liability due to the new actuarial assumptions would be calculated in the 2015 actuarial valuation and amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

In 2014, the Governor signed into law a comprehensive funding strategy to address the unfunded liability at the California State Teachers' Retirement System (CalSTRS), which is currently estimated to be $72.7 billion. Consistent with this strategy, the 2016-17 Proposed Budget (defined below) includes $2.5 billion General Fund in 2016-17 for CalSTRS. The 2016-17 Proposed Budget indicates that the funding strategy positions CalSTRS on a sustainable path forward, eliminating the unfunded liability in about 30 years. Based on a model of shared responsibility, the state, school districts and teachers all increased their contributions to the system beginning in 2014-15. Specifically, the 2016-17 Proposed Budget funding plan in 2016-17 increases the state contribution to 6.3% of teacher compensation, 10.2% for most teachers and 12.6% for school districts. The 2016-17 Proposed Budget also proposes that the State make an additional contribution of 2.5% of teacher compensation to CalSTRS for the Supplemental Benefits Maintenance Account.

Contribution rates to STRS and PERS vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on state-wide rates set by the STRS and PERS retirement boards. STRS has a substantial state-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share.

Pension Reform

On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013 (the "Implementation Date"). For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $118,500 for 2016, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and school district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the School District anticipates that PEPRA would not increase the School District's future pension obligations, the School District is unable to determine the extent of any impact PEPRA would have on the School District's pension obligations at this time. Additionally, the School District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

GASB 67 and 68

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

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

Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

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

At the end of Fiscal Year 2014-15, the School District had an outstanding pension liability of $242,956, as a result of the adoption of GASB No. 68, Accounting Reporting for Pensions. The District has, recorded its proportionate share of net pension liabilities for STRS and PERS.

Post-Retirement Health Care Benefits

The School District provides other post-employment benefits ("OPEB"), in accordance with School District contracts, to eligible employees who retire from the School District with at least eight years of service as Assistant Superintendent or higher, *provided* that they remain retired under the provisions of STRS or PERS. The School District will pay the cost of a retiree-only HMO plan until the retired Assistant Superintendent or Superintendent is eligible to be covered by Medicare at which time the School District will pay the Medicare supplement costs for ten (10) years or until age 75. The School District's funding policy is based on the projected pay-as-you-go funding requirements. During Fiscal Years 2012-13 and 2013-14, the School District contributed $10,886.00 and $11,736.00, respectively, and for Fiscal Year 2014-15 actual $__________ and for Fiscal Year 2015-16 budgeted $[__________/235,761.00] for retirees' healthcare benefits. Fiscal Year 2014-15 includes recognition of the implicit rate subsidy as required by GASB 68.

In addition to the OPEB benefits provided for eligible Assistant Superintendents or higher, the School District recently entered into a Tentative Agreement, dated December 3, 2015, with the Temecula Valley Educators Association CTA/NEA to provide retiree health and welfare benefits beginning in the 2016-17 school year. Benefits are available to unit members who are at least fifty-five (55) years of age, have fifteen (15) years of full-time service in the District and must have participated in the School District's health and welfare insurance for the past 10 years with the District. The benefit shall be paid for the lesser of five (5) years or until the retiree attains Medicare age eligibility (i.e. 65 years of age). The retiree benefit paid by the School District shall not exceed the cost of the lowest active HMO medical premium at the time of retirement; however, in no event shall the benefit exceed the School District's health and welfare contribution limit for each bargaining unit member. The retiree benefits are subject to additional requirements and provisions as set forth in the agreement. The effect of this agreement on the outstanding pension liability has not yet been actuarially evaluated.

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

Pursuant to GASB 45, the School District retained BRS/Bickmore Risk Services to assess the School District's liabilities in connection with GASB 45. The report was prepared on December 15, 2015, with a June 30, 2015, valuation date. The next report will be valued as of June 30, 2017, under the biennial rules. The report concluded that the amount of actuarial liability (past and present) for the School District, as of June 30, 2015, was $242,956. As of June 30, 2015, the most recent actuarial evaluation date, the School District did not have a funded plan.

Supplemental Early Retirement Plans (SERP) and Early Retirement Incentives. For Fiscal Year 2010-11, the School District adopted an early retirement incentive that provided the School District contribute for a period of five years towards the cost of retiree medical, dental and vision insurance for certain eligible employees. The eligible employees had the option to waive their rights to payment toward retirement health benefits and instead receive cash in lieu of benefits payments. As of June 30, 2015, the balance of the obligation associated with the early retirement incentive was fully paid.

For Fiscal Year 2011-12, the School District adopted an early retirement incentive that provided eligible certificated employees with 100 percent of their salaries. Certificated employees who met the eligibility requirements and retired as of June 30, 2012, will receive the benefit for a period 60 months beginning July of 2012. As of June 30, 2015, the balance of the obligation associated with the early retirement incentive was $3,291,011.

Risk Management

The School District is a member of the Riverside Schools' Insurance Authority (RSIA), the Self-Insured Schools of California (SISC) and the Joint Educational Transit of Riverside County (JET). The School District pays an annual amount to each entity for its health, property/liability coverage and other services. Coverage is comparable with insurance maintained by similar school districts.

During the year ended June 30, 2015, the School District made payments of $1,341,356, $25,564,242 and $6,049 to RSIA, SISC and JET, respectively.

Outstanding Debt; Financial Obligations

As of June 30, 2015, the School District had [Confirm: $128,630,609 of long-term debt outstanding (not including debt of Mello-Roos community facilities districts (the "CFDs") within the School District). The debt of the CFDs is payable from special taxes levied on the taxable property within those districts; and the School District's general obligation debt, including the Series 2016-B Bonds, is payable from *ad valorem* taxes levied on the taxable property within the School District and not from general revenues of the School District. The School District leases equipment, portable classrooms and school buses pursuant to capital leases.

A schedule of changes in long-term debt for the Fiscal Year ended June 30, 2015, is set forth in the table below.

Table A-4
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Changes in Long-Term Debt as June 30, 2015
(Excludes CFD Obligations)

	Balance as of June 30, 2014	Additions	Deductions	Balance as of June 30, 2015	Amount Due in One Year
General Obligation Bonds	$57,629,162	$612,924	$4,305,000	$53,937,086	$4,035,000
Premium on issuance	4,082,906	0	356,251	3,726,655	0
TVUSD Financing Authority Bonds	0	55,340,000	0	55,340,000	1,305,000
Premium on issuance	0	9,606,654	128,089	9,478,565	0
Capital lease	90,269	0	90,269	0	0
CalSTRS Golden Handshake PARS 403(b) Supplemental	677,271	0	211,552	465,719	211,552
Supplemental Early Retirement Plan – H&W	762,223	0	762,223	0	0
Early Retirement Incentive Plans	4,936,517	0	1,645,506	3,291,011	1,645,506
Compensated absences - net	525,444	69,129	0	594,573	0
Claims Liability	1,514,000	879,965	596,965	1,797,000	596,965
TOTALS	$70,217,792	$66,508,672	$8,095,855	$128,630,609	$7,794,023

Source: Temecula Valley Unified School District.

Repayment schedules for certain of the debts/obligations are contained in APPENDIX B — "AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2014-15."

General Obligation Bonds. On February 12, 2004, the School District issued its 2004 General Obligation Refunding Bonds (the "2004 Refunding Bonds") in the amount of $47,425,000. The 2004 Refunding Bonds were issued at an aggregate price of $52,870,926 (representing the principal amount of $47,425,000, plus an original issue premium of $5,965,132, less underwriter's discount of $248,981 and costs of issuance of $270,225). The 2004 Refunding Bonds mature August 1, 2020, and yield interest rates of 0.95 to 4.10 percent. As of June 30 2015, the principal balance of $12,335,000 of the 2004 Refunding Bonds remained outstanding. No portion of the $65,000,000 authorization to issue general obligation bonds received at the election held on November 7, 1989 remains unissued.

On February 2, 2006, the School District issued its 2005 General Obligation Refunding Bonds (the "2005 Refunding Bonds") in the amount of $6,740,000. The 2005 Refunding Bonds were issued at an aggregate price of $7,189,566 (representing the principal amount of $6,740,000, plus an original issue premium of $516,847, less underwriter's discount of $67,281). The 2005 Refunding Bonds mature August 1, 2025 and yield interest rates of 3.10 to 4.40 percent. As of June 30, 2015, the principal balance of $5,180,000 of the 2005 Refunding Bonds remained outstanding. As indicated in the preceding paragraph no portion of the $65,000,000 authorization to issue general obligation bonds received at the election held on November 7, 1989 remains unissued.

On November 6, 2012, the voters of the School District approved the issuance of not to exceed $165,000,000 of general obligation securities. The Series 2016-B Bonds are the second series of bonds issued under the measure as approved by voters. The annual debt service requirements on the Series 2016-B Bonds are shown in "DEBT SERVICE SCHEDULE" in the Official Statement.

On February 21, 2013, the Temecula Valley Unified School District issued the General Obligation Bonds, Series 2013-A (the "Series 2013-A Bonds"), in the amount of $34,995,070. The Series 2013-A Bonds were the first series of authorized bonds not to exceed $165,000,000 to be issued under the measure as approved by voters. The Series 2013-A Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $4,339,930, and an aggregate principal debt service balance of $39,335,000.

The Series 2013-A Bonds have a final maturity which occurs on August 1, 2042. As of June 30, 2015, the principal balance outstanding (including accretion) on the Series 2013-A Bonds was $36,422,086.

Financing Authority. The Temecula Valley Unified School District Financing Authority (TVUSD FA) was created to refinance the Community Facility Districts' (CFD) debt. On February 26, 2015, the TVUSD FA issued $55,350,000 of 2015 Special Tax Revenue Bonds. The bonds refinanced the debt for CFD's 2000-1, 2002-1 Improvement Area 2, 2002-2, 2003-2, 2004-1 Improvement Area A, and 2005-1. On June 30, 2015, the principal balance outstanding on 2015 Special Tax Revenue Bonds was $55,340,000. Unamortized premium received on issuance of the bonds amounted to $9,478,565.

Community Facilities Districts. [Update: As of June 30, 2015, the community facilities districts formed by the School District had an aggregate of $27,830,000 of bonds outstanding [confirm: exclusive of community facilities district bonds refinanced by TVUSD FA described in the preceding paragraph. The CFD Bonds are secured by special taxes levied on taxable property within the Community Facilities Districts and are not secured by *ad valorem* taxes of the School District's general fund.

Accumulated Unpaid Employee Vacation. The accumulated unpaid employee vacation for the School District at June 30, 2015, amounted to $594,573.

Short-Term Debt; Tax and Revenue Anticipation Notes. The School District currently has no tax revenue anticipation notes outstanding. The School District expects to issue up to $15,000,000 of notes on or about July 1, 2016 to supplement cash flow.

Operating Leases. The School District has entered into various operating leases for equipment with lease terms in excess of one year. Fiscal Year 2015-16 expenditures for operating leases are approximately $350,000. The School District leases contain purchase options and consist of vehicles.

State Past Practice of Cash Management Deferrals. In the past, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. Collectively, these deferrals are referred to as the "Cash Management Deferrals." This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals were codified. In recent year, the State has paid down the deferrals. The School District cannot predict whether the State will engage in the practice of deferring certain apportionments to school districts in the future.

EFFECT OF STATE BUDGET ON REVENUES

The information in this section concerning the State budget and State finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official *Statement that the principal and accreted value of or interest on the Series 2016-B Bonds is payable from the general fund of the School District. The Series 2016-B Bonds are payable from the proceeds of an* ad valorem *tax required to be levied by the County in an amount sufficient for the payment of the Series 2016-B Bonds. See "THE SERIES 2016-B BONDS – Security" herein.*

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. Prior to implementation in Fiscal Year 2013-14 of the Local Control Funding Formula, the primary source of funding for school districts was the revenue limit, which was a combination of State funds and local property taxes (see " – SCHOOL DISTRICT FINANCIAL INFORMATION – State Funding of Education" below). Under the Local Control Funding Formula, State funds typically make up the majority of a district's funding, as was the case under the previous revenue limit funding. In the past, school districts also received substantial funding from the State for various categorical programs. Commencing with Fiscal Year 2009-10, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wished. These flexibility provisions were extended for a number of years through legislation and the Local Control Funding Formula replaces revenue limit and most categorical program funding. Revenues received by the School District from all State sources accounted for approximately ___% of total general fund revenues in Fiscal Year 2013-14, for approximately __% of total general fund revenues in Fiscal Year 2014-15 and are estimated to account for approximately 96.9% of total general fund revenues in Fiscal Year 2015-16.

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

Proposition 98; State Education Funding. As indicated above, 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 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."

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

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

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

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

Education Provisions of the California State Budget. Following the enactment of Proposition 25 on November 2, 2010, the Governor is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the Legislature no later than June 15. Prior to enactment of Proposition 25, the final budget was required to be approved by a 2/3rds majority vote of each house of the Legislature and the June 15 deadline was routinely breached. For example, prior to enactment of Proposition 25, the State Budget approval occurred as late as September 23, 2008, for the Fiscal Year 2008-09 State Budget and October 8, 2010, for the Fiscal Year 2010-11 State Budget, the latest budget approval in State history. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The School District cannot predict how State income or State education funding will vary over the entire term to maturity of the Series 2016-B Bonds, and the School District takes no responsibility for informing Owners of the Series 2016-B Bonds as to any such annual fluctuations.

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

Information Regarding State Education Spending. Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website http://www.ebudget.ca.gov (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement), where recent official statements for State bonds are posted, (ii) the California State Treasurer's Internet home page http://www.treasurer.ca.gov (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the State's audited financial statements, various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts, (iii) the California Department of Finance's internet home page http://www.dof.ca.gov/budget (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the text of the budget and information regarding the State budget, and (iv) the State Legislative Analyst's Office ("LAO") http://www.lao.ca.gov.com (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which prepares analyses and reports regarding the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the School District, the Underwriter or the Owners of the Series 2016-B Bonds to provide State budget information to the School District or the Owners of the Series 2016-B Bonds. Although the State sources of information listed above are believed to be reliable, neither the School District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

2016-17 Proposed State Budget. On January 7, 2016, the Governor released his proposed State budget for Fiscal Year 2016-17 (the "2016-17 Proposed Budget"). The 2016-17 Proposed Budget proposed $71.6 billion with respect to the Proposition 98 (as defined below in "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS –Proposition 98") minimum funding guarantee for Fiscal Year 2016-17. The 2016-17 Proposed Budget reflects Proposition 98 Guarantee increases in Fiscal Years 2014-15 and 2015-16, relative to the Fiscal Year 2015-16 Budget Act levels – providing additional one-time resources in each of those years. For K-12 per pupil spending, the total per-pupil expenditures from all sources are projected to be $14,184 in Fiscal Year 2015-16 and $14,550 in Fiscal Year 2016-17, including funds provided for prior year settle-up obligations. Ongoing K-12 Proposition 98 per-pupil expenditures in the 2016-17 Proposed Budget are $10,591 in Fiscal Year 2016-17, an increase of $368 per-pupil over the level provided in Fiscal Year 2015-16, and up significantly from the $7,008 per pupil provided in Fiscal Year 2011-12. The 2016-17 Proposed Budget utilizes the funding to implement the LCFF and provides $2.8 billion in new funding, bringing the Local Control Funding Formula's implementation to 95% complete.

The 2016-17 Proposed Budget proposes an additional $2 billion deposit above the deposit required by Proposition 2 to fund the Rainy Day Fund to a total of $8 billion, which is 6.5 percent of the General Fund tax revenues. The 2016-17 Proposed Budget notes the significant reliance of the General Fund on capital gains and on taxes paid by the top 1 percent of income earners who paid over 45 percent of personal income taxes in the 2013 tax year. Personal income taxes are estimated to contribute 69.5 percent of Fiscal Year 2016-17 general fund revenues. Proposition 2, enacted in 2014, provides that when capital gains revenue is projected to be greater than 8 percent of the General Fund tax revenue, the excess revenue is to be used to pay off General Fund debts and build up a reserve for future downturns. The 2016-17 Proposed Budget also notes an estimated $77 billion in deferred maintenance on existing State infrastructure, including the State's highways, roads and bridges, and proposes funding $879 million from the General Fund to accelerate the repayment of loans to transportation projects, $807 million ($500 million from the General Fund) for critical deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals and other state facilities and $1.5 billion from the General Fund for work on three state office buildings, including the State Capitol Annex.

The LAO, a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2016-17 Proposed State Budget entitled "The 2016-17 Budget: Overview of the Governor's Budget" on January 11, 2016 (the "2016-17 Proposed Budget Overview"). In the 2016-17 Proposed Budget Overview, the LAO notes that the Governor's emphasis on reserves is appropriate and that this general approach is prudent as a large budget reserve is the key to weathering the next recession with minimal disruption to public programs. The LAO also noted that a focus on infrastructure makes sense, but indicate the specific proposals raise several issues that merit legislative consideration, such as (i) the appropriateness of the propose funding sources, (ii) ensuring such funding is allocated to the highest priority and most cost-effective infrastructure needs and (iii) allowing for sufficient legislative oversight. The LAO also noted that the Governor allocates about $7 million in discretionary resources, prioritizing reserves and one-time spending, including using a significant portion of the discretionary resources to increase total reserves to over $10 billion, doubling the size of budget reserves. The LAO recommends that as the Legislature considers the trade-offs among different budget priorities, the Legislature plan for the next downturn, and begin with a robust target for budget reserves for the end of 2016-17 and concentrate spending on one-time purposes. *The 2016-17 Proposed Budget Overview is available from the LAO at www.lao.ca.gov but such information is not incorporated herein by reference.*

Significant proposals of the 2016-17 Proposed State Budget affecting K-12 school districts include:

• *Local Control Funding Formula* – A fourth-year investment of more than $2.8 billion in the LCFF, building upon almost $12.8 billion provided over the last three years. In total, this level of funding exceeds the original 2013 projection of formula funding provided through Fiscal Year 2016-17 by almost $6 billion. The proposed funding level is enough to eliminate almost 50% of the remaining funding gap to full implementation, bring total formula implementation to 95%.

• *Early Education Block Grant* – A $1.6 billion early education block grant for local educational agencies that combines $880 million for the California State Preschool Program, $725 million for the Proposition 98 General Fund for transitional kindergarten, and $50 million for the Proposition 98 General Fund for the Preschool Quality Rating and Improvement system to better target services to low-income and at risk children and their families.

• *Career Technical Education* – Continued support of the Career Technical Education Incentive Grant Program, a transitional education and workforce development initiative administered by the California Department of Education.

• *K-12 School Facilities* – Continued dialogue by the Governor's Administration with the State Legislature and education stakeholders to shape a future state program focused on school districts with the greatest need, while providing substantial new flexibility to school districts to raise the necessary resources for their facilities needs. The 2016-17 Proposed Budget indicates the Governor has significant concerns with the current school facilities program, including being overly complex, creating costs for school districts to navigate a process that can involve as many as ten different state agencies and creating an incentive for school districts to build new schools when they already have the capacity to absorb enrolment growth, and allocating funding on a first-come, first-served basis, giving school districts with dedicated facilities personnel a substantial advantage, and not providing school districts enough flexibility to design school facility plans to reflect local needs.

• *K-12 Budget Adjustments* – More than $2.8 billion in Proposition 98 General Fund funding for school districts and charter schools, including (i) one time discretionary funding, (ii) additional Proposition 98 General Fund funding for County Office of Education, (iii) increases in Proposition 98 General Fund funding for charter school ADA growth and one time funding for operational startup costs for new charter schools in 2016 and 2017, (iv) increases in funding for local educational agencies to provide academic and behavioral support, (v) a decrease in special education funding based on a projected decrease in Special Education ADA, (vi) a cost of living adjustment for categorical programs that remain outside of LCFF, (vii) a decrease in Proposition 98 General Fund for school districts and county offices of education as a result of higher offsetting property tax revenues, (viii) a decrease in funding due to decreased projected ADA, (ix) Proposition 39 funding for energy efficiency, and (x) Proposition 47 funding for truancy and dropout prevention, victim services and mental health and drug treatment.

• *Child Care* – Stakeholder workshops to recommend actions the State may take to increase the administrative efficiency of State-subsidized child care contractors and increase funding to reflect full-year implementation of child care and preschool investment made in the 2015-16 State Budget and increasing costs per case for CalWORKS Stage 2 cases and increasing costs and increasing cases for CalWORKS Stage 3 cases.

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

Future Budget Impacts. The State Budget will be affected by national and State economic conditions and other factors. The School District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2016-B Bonds, and the School District takes no responsibility for informing owners of the Series 2016-B Bonds as to actions the State Legislature or Governor may take affecting a budget after its adoption. The Series 2016-B Bonds, however, are not payable from such revenue. The 2016-B Bonds will be payable solely from the proceeds of an *ad valorem* property tax which is required to be levied by the County in an amount sufficient for the payment thereof. Information about the State budget and State spending for education is regularly available at various State-maintained websites. See, " – EFFECT OF STATE BUDGET ON REVENUES – *Information regarding State Education Spending" above.*

To the extent negatively impacted by actions taken by the Governor and the State Legislature to address changing State revenues generally or by State revenues available for education specifically, the School District may need to develop and implement different or additional budgetary adjustments to contend with its projected spending in the future.

Litigation Regarding State Budgetary Provisions; Redevelopment Litigation. On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate in *California Redevelopment Association et al. v. Ana Matosantos et al.* ("Matosantos") with the Supreme Court of California alleging that ABX1 26 and ABX1 27 violate the California Constitution, as amended by Proposition 22 (the Local Taxpayer, Public Safety and Transportation Protection Act, approved by the voters of the State on November 2, 2010, hereafter referred to as "Proposition 22"). The petitioners alleged, among other things, that ABX1 26 and ABX1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABX1 26 and ABX1 27 until the claims were adjudicated.

On December 29, 2011, the California Supreme Court issued its ruling in *Matosantos*. The Court upheld ABX1 26, the bill that dissolves all redevelopment agencies and directs the resolution of their activities. However, it found that ABX1 27, which allows redevelopment agencies to avoid elimination by making certain payments to offset state budget expenses, is unconstitutional. As a result, all redevelopment agencies were required to dissolve and transfer their assets and liabilities to "successor agencies" that will wind down the redevelopment agencies' affairs. Based on the decision, all redevelopment agencies were dissolved as of February 1, 2012.

Tax increment revenues that would have been directed to redevelopment agencies will be distributed to make "Pass-Through Payments" to local agencies that they would have received under prior law and to successor agencies for retirement of the redevelopment agencies' debts and for limited administrative costs. The remaining revenues will be distributed as property tax revenues to cities, counties, school districts, community college districts and special districts. The School District cannot predict whether, or to what extent, the elimination of redevelopment agencies will affect the Pass-Through Payments or whether amounts received will be offset against other funds the State would otherwise have paid to the School District. See "THE SERIES 2016-B BONDS – Security."

The School District entered into agreements with several redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 *et seq.*) (generally, "Redevelopment Agencies"), pursuant to which the School District has, in the past, received "pass-through" tax increment revenues (the "Redevelopment Revenues"). The School District has projected the receipt of $3,023,505 in Redevelopment Revenues with respect to agreements entered into in the past with the City of Temecula and Riverside County redevelopment agencies in Fiscal Year 2015-16.