

(xviii) [A municipal bond insurance policy (the "Policy") issued by _____, as Insurer, insuring the payment of principal of and interest on the Bonds, together with:

(A) an opinion of counsel to the Insurer, dated the date of Closing and addressed to the District and the Underwriter, in form and substance acceptable to the Underwriter; and

(B) a certificate of the Insurer, dated the date of Closing, in form and substance acceptable to the Underwriter, regarding, among other matters, disclosure, no default and tax matters;]

(xix) Evidence that the federal tax identification form 8038-G has been prepared by Bond Counsel for filing;

(xx) A copy of the signed Letter of Representations as filed with DTC;

(xxi) A copy of the submitted Report of Proposed Debt Issuance and acknowledgement, together with the Report of Final Sale to be submitted to the California Debt and Investment Advisory Commission; and

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

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

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

Section 11. Underwriter's Certifications. At or prior to the date of the Closing, and contemporaneously with the acceptance and delivery of the Bonds and the payment of the purchase price therefore (as set forth herein), the Underwriter shall provide to the District:

(a) the receipt of the Underwriter, in form satisfactory to the District and signed by an authorized officer of the Underwriter, accepting the Bonds by the Underwriter and receipt of all documents required by the Underwriter pursuant to the terms hereof, and the satisfaction or waiver of all conditions and terms of this Purchase Agreement by the District, and confirming to the District that as of the Closing Date all of the representations of the Underwriter contained in this Purchase Agreement are true, complete and correct in all material respects; and

(b) the certification(s) of the Underwriter, signed by an authorized officer of the Underwriter, in form satisfactory to Bond Counsel, regarding the prices at which the Bonds have been reoffered to the public, as described in Section 4 hereof and such other matters relative to the Bonds as Bond Counsel may request.

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

Section 13. Expenses. [The Underwriter is hereby directed to wire a portion of the purchase price to the Insurer for the payment of the premium on the Policy.] The District shall pay or cause to be paid the following expenses relating to the issuance of the Bonds: (i) the fees and disbursements of Bond Counsel and Disclosure Counsel; (ii) the cost of the preparation, printing and delivery of the Bonds; (iii) the fees for Bond ratings, including all expenses related to obtaining such ratings; (iv) the cost of the printing and distribution of the Preliminary Official Statement, Official Statement and any amendment or supplement thereto; (v) the fees and disbursements of the Paying Agent and Costs of Issuance Custodian; (vi) the fees and disbursements of the Financial Advisor; (vii) County costs and expenses, if any, (viii) expenses for travel, lodging, and subsistence related to rating agency visits and other meetings connected to the authorization, sale, issuance and distribution of the Bonds; and (ix) all other fees and expenses incident to the issuance and sale of Bonds. Such payment shall also include any expenses incurred by the Underwriter which are incidental to implementing this Purchase Agreement and the issuance of the Bonds, including, but not limited to, subsistence, transportation and lodging, if any, and any other miscellaneous closing costs. The District hereby directs the Underwriter to wire a portion of the purchase price identified in Section 1 hereof in an amount equal to \$_____ to U.S. Bank National Association, as Costs of Issuance Custodian, for the payment of the foregoing costs. After payment of all costs of issuance set forth above, any amount that has not been expended shall be transferred into the debt service fund for the Bonds. Any shortfall in the payment of the foregoing expenses shall be paid by the District.

Notwithstanding any of the foregoing, the Underwriter shall pay all out-of-pocket expenses of the Underwriter, including the fees and disbursements of Underwriter's Counsel, the

California Debt and Investment Advisory Commission fee, and CUSIP Bureau registration fees, travel and other expenses (except those expressly provided above), without limitation.

Notwithstanding Section 10(f) hereof, the District hereby agrees, in the event the purchase and sale of the Bonds does not occur as contemplated hereunder, to reimburse the Underwriter for any costs described in Subsection 13(viii) above that are attributable to District personnel.

The District and the County each acknowledge that they have had the opportunity, in consultation with such respective advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred in connection with the issuance of the Bonds.

Section 14. Notices. Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the District, to the Superintendent, Coachella Valley Unified School District, 87225 Church Street, Thermal, California 92274, if to the County, to the Office of the Treasurer-Tax Collector, County of Riverside, 4080 Lemon Street, 4th Floor, Riverside, California 92502, or if to the Underwriter, RBC Capital Markets, LLC, 777 South Figueroa Street, Suite 850, Los Angeles, California 90017, Attn: Frank Vega, Director.

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

Section 16. Severability. In the event any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 17. Non-Assignment. Notwithstanding anything stated to the contrary herein, neither party hereto may assign or transfer its interest herein, or delegate or transfer any of its obligations hereunder, without the prior written consent of the other party hereto.

Section 18. Entire Agreement. This Purchase Agreement, when executed by the parties hereto, shall constitute the entire agreement of the parties hereto (including their permitted successors and assigns, respectively).

Section 19. Execution in Counterparts. This Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same document.

Section 20. Applicable Law. This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

RBC CAPITAL MARKETS, LLC,
as Underwriter

By _____
Director

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

COUNTY OF RIVERSIDE

By _____
Authorized Representative

**COACHELLA VALLEY UNIFIED SCHOOL
DISTRICT**

Executed at _____ p.m., Pacific Time
on _____, 2016.

By _____
Designated Officer

EXHIBIT A

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
2005 ELECTION, SERIES 2016-F
(Riverside and Imperial Counties, California)**

\$ _____ Serial Bonds

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

\$ _____ - _____ % Term Bonds due August 1, 20 __, - Yield _____ %

(c) Yield to call at par on [August 1, 2026.]

TERMS OF REDEMPTION

[*Optional Redemption.* The Bonds maturing on or before August 1, 2026, are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 2027, are subject to optional redemption prior to maturity from any funds legally available therefor, in whole or in part on any date, on or after August 1, 2026, at the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.]

Mandatory Redemption.

The Term Bonds maturing on August 1, 20__ , are subject to mandatory sinking fund redemption, in part, by lot, on August 1, 20__ and on each August 1 thereafter 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, plus accrued but unpaid interest, without premium.

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount To be Redeemed
---	------------------------------------

† Maturity.

The principal amount of any Term 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 Bond optionally redeemed prior to the mandatory sinking fund redemption date.

EXHIBIT B

OPINION OF COUNTY COUNSEL

**§ _____
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
2005 ELECTION, SERIES 2016-F
(Riverside and Imperial Counties, California)**

[CLOSING DATE]

Coachella Valley Unified School District
87225 Church Street
Thermal, California 92274

RBC Capital Markets, LLC
777 South Figueroa Street, Suite 850
Los Angeles, California 90017

Ladies and Gentlemen:

This opinion is rendered to you in our capacity as counsel to the County of Riverside (the "County") in connection with the issuance by the County on behalf of the Coachella Valley Unified School District (the "District") of its General Obligation Bonds, 2005 Election, Series 2016-F (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Supervisors of the County with respect to the Bonds adopted on _____, 2016 (the "County Resolution"), at the request of the District made pursuant to a resolution adopted with respect to the Bonds, adopted by the Board of Trustees of the District on _____, 2016 (the "District Resolution").

In rendering this opinion, we have examined the County Resolution, the Purchase Agreement dated _____, 2016 (the "Purchase Agreement") and such other documents, records and instruments and made such investigations of law and fact as we have deemed necessary to render the opinions expressed herein.

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

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

2. The County Resolution approving and authorizing the execution and delivery of the Purchase Agreement and the issuance of the Bonds was duly adopted at a meeting of the governing body of the County which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, has not been modified, amended, rescinded or revoked and is in full force and effect on the date hereof.

3. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, in which service of process has been completed on the County, or, to the best knowledge of the County, threatened against the County (a) affecting the existence of the County or the titles of its officers who have acted with respect to the proceedings for issuance and sale of the Bonds to their respective offices; (b) seeking to prohibit, restrain or enjoin the execution of the Purchase Agreement or the issuance of the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Purchase Agreement or the County Resolution; (c) contesting the powers of the County or its authority to enter into, adopt or perform its obligations under the County Resolution or the Purchase Agreement; or (d) seeking to restrain or enjoin the levy or collection of tax revenues pledged for payment of the Bonds.

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

5. The Purchase Agreement has been duly authorized, executed and delivered by the County and the Bonds have been duly authorized by the County, executed by the County on behalf of the District, where appropriate, and delivered by the County and, assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement constitutes the legal, valid and binding agreements of the County enforceable against the County in accordance with their respective terms.

With respect to the opinions we have expressed, enforcement of the rights and obligations under the County Resolution, the Purchase Agreement and the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles if equitable remedies are sought, and by limitations on legal remedies imposed in actions against counties or school districts in the State. We express no opinion as to the availability of equitable remedies in connection with enforcement of the County Resolution, the Purchase Agreement or the Bonds.

We express no opinion as to any matter other than as expressly set forth above. Without limiting the generality of the foregoing, we specifically express no opinion as to the status of the Bonds or the interest thereon or the documents to which the County is a party under any federal securities laws or any state securities or "Blue Sky" law or any federal, state or local tax law. We express no opinion as to the availability of equitable remedies in connection with enforcement of the County Resolution or the Purchase Agreement. Further, we express no opinion with respect to any indemnification, contribution, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents to which the County is a party, and we express no opinion on the laws of any jurisdiction other than the State and the United States of America.

This opinion is delivered to each of the parties addressed above and is solely for the benefit of each of such parties and is not to be used, circulated, quoted or otherwise referred to or relied upon by any other person or for any other purpose. A copy of this opinion may be included in the transcript of proceedings relating to the Bonds.

Very truly yours,

COUNTY COUNSEL OF THE COUNTY
OF RIVERSIDE

By: _____
Deputy County Counsel

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE – FULL BOOK-ENTRY

Insured Ratings: S&P: __ Moody's: __
Underlying Ratings: S&P: __ Moody's: __

(See "RATINGS" herein.)

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 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 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 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 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 Bonds. See "TAX MATTERS" herein.

\$50,330,000 *

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2005 ELECTION, SERIES 2016-F
(Riverside and Imperial Counties, California)**

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series 2016-F (the "Bonds" or the "Series 2016-F Bonds") in the aggregate principal amount of \$50,330,000 * are being issued by the County of Riverside (the "County"), on behalf of the Coachella Valley Unified School District (the "District"), (i) to finance the construction, renovation and repair of various District facilities, (ii) to fund a debt service fund to pay a portion of the interest on the Bonds, and (iii) to pay certain costs of issuing the Bonds. On June 5, 2005, at least two-thirds of District voters approved the election to authorize up to \$250,000,000 principal amount of general obligation bonds (the "2005 Authorization"). The County, on behalf of the District, has issued five previous series of bonds pursuant to the 2005 Authorization, leaving \$50,331,475.00 of the 2005 Authorization authorized but unissued. The District received a State Board of Education ("SBE") waiver of the applicable bonding capacity limits otherwise applicable to the District and the issuance of the Bonds pursuant to the 2005 Authorization.

The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes. The Boards of Supervisors of the County and Imperial County (together with the County, the "Counties") have the power and are obligated to annually levy *ad valorem* taxes upon taxable property subject to taxation, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds.

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. Interest accrues from their date of issuance and is payable semiannually by check mailed on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds are issuable as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof. Payment to registered owners of \$1,000,000 or more in principal amount of the 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 of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (described herein) who will remit such payments to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry-Only System.")

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by [Insurer].

[INSURER LOGO]

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

The 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, Bond Counsel to the District and subject to certain other conditions. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about _____, 2016.

RBC Logo

The date of this Official Statement is _____, 2016.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$50,330,000 *
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2005 ELECTION, SERIES 2016-F
(Riverside and Imperial Counties, California)

MATURITY SCHEDULE
Base CUSIP® No. 189849†

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® No.†
2018	\$	%	%		
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
\$ _____ % Term Bonds due August 1, 20__ – Yield _____ % Price _____ CUSIP® No. † 189849 \$ _____ % Term Bonds due August 1, 20__ – Yield _____ % Price _____ CUSIP® No. † 189849 \$ _____ % Term Bonds due August 1, 20__ – Yield _____ % Price _____ CUSIP® No. † 189849					

† 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 District nor the Underwriter take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

BOARD OF TRUSTEES

Maria G. Machuca, *President*
Manuel Jarvis-Martinez, *Vice President*
Meagan Caress, *Clerk*
Joey Acuna, Jr., *Member*
Blanca Hall, *Member*
Lowell Kamper, *Member*
Joe Murillo, *Member*

DISTRICT ADMINISTRATION

Dr. Darryl S. Adams, *Superintendent*
Gregory J. Fromm, *Assistant Superintendent, Business and Finance*

PROFESSIONAL SERVICES

BOND 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
Irvine, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION WITH RESPECT TO THE 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 DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE AND INSIDE COVER OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE 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 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 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 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 used, as a whole or in part, for any other purpose. All information for investors regarding the District and the Bonds is contained in this Official Statement. While the 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 Bonds or any other bonds or obligations of the District.

IN CONNECTION WITH OFFERING THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN 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.

Bond Insurer. [Insurer] ("[INSURER]") makes no representation regarding the Bonds or the advisability of investing in the 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 APPENDIX I – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon to make investment decisions with respect to the Bonds.

TABLE OF CONTENTS

INTRODUCTION	1	RIVERSIDE COUNTY TREASURY	
The District	1	POOL	18
Authority for Issuance.....	2	BOND INSURANCE.....	19
Sources of Payment for the Bonds.....	2	Bond Insurance Policy.....	19
Purpose of Issue	2	[Insurer].....	19
Description of the Bonds.....	2	TAX BASE FOR REPAYMENT OF	
Municipal Bond Insurance.....	3	BONDS	19
Other Matters Relating to Municipal Bond		<i>Ad Valorem</i> Property Taxation.....	19
Insurance.....	3	Assessed Valuations	21
Tax Matters	4	Assessed Valuations and Parcels by Land	
Offering and Delivery of the Bonds.....	4	Use.....	25
Continuing Disclosure	4	Assessed Valuation of Single Family	
Professionals Involved in the Bond Offering	4	Homes.....	26
Other Information	5	Largest Property Owners.....	28
THE BONDS	6	Appeals and Adjustments of Assessed	
Authority for Issuance.....	6	Valuations.....	28
Security	6	Alternative Method of Tax Distribution –	
Statutory Lien for General Obligation		Teeter Plan.....	29
Bonds	7	Tax Levies, Collections and Delinquencies	30
Description of the Bonds; Payment	7	Tax Rates.....	31
Book-Entry-Only System.....	8	Direct and Overlapping Bonded Debt	31
Paying Agent.....	8	TAX MATTERS	33
Redemption	9	Opinion of Bond Counsel.....	33
Selection of Bonds for Redemption	10	Original Issue Discount; Premium Bonds	34
Notice of Redemption	10	Impact of Legislative Proposals,	
Contingent Redemption; Rescission of		Clarifications of the Code and Court	
Redemption	11	Decisions on Tax Exemption	34
Partial Redemption of Bonds	11	Internal Revenue Service Audits of	
Effect of Notice of Redemption	12	Tax-Exempt Securities Issues.....	35
Defeasance	12	Information Reporting and Backup	
Registration, Transfer and Exchange of		Withholding.....	35
Bonds	13	OTHER LEGAL MATTERS.....	35
ESTIMATED SOURCES AND USES OF		Continuing Disclosure.....	35
FUNDS	14	Limitation on Remedies	36
DEBT SERVICE SCHEDULE.....	15	Legality for Investment in California.....	37
AGGREGATE DEBT SERVICE		Absence of Material Litigation.....	37
SCHEDULE.....	15	RATINGS.....	37
APPLICATION OF PROCEEDS OF BONDS	18	UNDERWRITING.....	37
Series 2016-F Bonds Building Fund.....	18	ADDITIONAL INFORMATION	38
Debt Service Fund.....	18		
Permitted Investments.....	18		
APPENDIX A – INFORMATION RELATING TO THE COACHELLA VALLEY			
UNIFIED SCHOOL DISTRICT’S OPERATIONS AND BUDGET.....	A-1		
APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.....	B-1		
APPENDIX C – ECONOMIC AND DEMOGRAPHIC INFORMATION.....	C-1		
APPENDIX D – PROPOSED FORM OF OPINION OF BOND COUNSEL.....	D-1		
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE	E-1		
APPENDIX F – COUNTY OF RIVERSIDE POOLED INVESTMENT FUND	F-1		
APPENDIX G – COUNTY OF RIVERSIDE OFFICE OF THE TREASURER TAX-COLLECTOR			

	STATEMENT OF INVESTMENT POLICY	G-1
APPENDIX H -	BOOK-ENTRY SYSTEM.....	H-1
APPENDIX I -	SPECIMEN MUNICIPAL BOND INSURANCE POLICY	I-1

\$50,330,000*
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2005 ELECTION, SERIES 2016-F
(Riverside and Imperial Counties, California)

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 page and appendices hereto and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series 2016-F (the "Bonds" or the "Series 2016-F Bonds") in the principal amount of \$50,330,000.*

The District

The Coachella Valley Unified School District (the "District") is a unified school district providing elementary and secondary levels of education. Established in 1973, the District currently operates fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two 9-12 high schools, one continuation high school, one adult education extension program, one Early Head Start program, nine Head Start programs, three part-day State Preschools and ten full-day State Preschools. The District encompasses approximately 1,220 square miles, with most of its territory within Riverside County (the "County") and a small portion within Imperial County (together with the County, the "Counties"). The District serves the cities of Indio, Coachella, La Quinta, Thermal, Mecca, Oasis, North Shores and Salton City. For Fiscal Year 2015-16, the District's average daily attendance ("ADA") was 17,915 students and for Fiscal Year 2016-17, the District's ADA is projected to be 17,915 students, and taxable property within the District has a Fiscal Year 2016-17 assessed valuation of \$9,315,916,485.¹

The District is governed by a seven-member Board of Trustees (the "District Board"), each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between four and three available positions. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Dr. Darryl S. Adams is the current District Superintendent.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and APPENDIX A – "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" herein for more general information regarding the District and its finances.

* Preliminary, subject to change.

¹ Source: Riverside and Imperial Counties.

Authority for Issuance

The Series 2016-F Bonds are authorized to be issued by the District pursuant to provisions of the California Government Code (“Government Code”) Sections 53506 *et seq.* and, to the extent applicable, California Education Code (“Education Code”) Sections 15100 *et seq.*, Resolution No. [2016-___], adopted by the District Board on [September 13], 2016 (the “Series 2016-F Resolution”), pursuant to provisions of the California Constitution, the 2005 Authorization (as herein defined), and Resolution No. [2016-191], adopted by the Board of Supervisors of Riverside County (the “County Board”) on [September 27], 2016 (the “County Resolution” and together with the Series 2016-F Resolution, the “Bond Resolution”). The District received authorization at an election held on June 7, 2005, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$250,000,000 maximum principal amount of general obligation bonds of the District (the “2005 Authorization”). See “THE BONDS – Authority for Issuance” herein. After issuance of the Bonds, \$ _____* of the 2005 Authorization remains authorized but unissued.

State Board of Education Waiver. The District received a State Board of Education (“SBE”) waiver of the applicable bonding capacity limits otherwise applicable to the District and the issuance of the Bonds pursuant to the 2005 Authorization.

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected by the Counties pursuant to law. The Boards of Supervisors of the Counties are obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all taxable property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Although the Counties are obligated to levy an *ad valorem* tax for the payment of the Bonds and the Bonds are issued by the County on behalf of the District, the Bonds are not a debt of the Counties. See “THE BONDS – Security” herein.

Of the aggregate assessed value of property in the District, approximately 97% of such assessed valuation relates to property located within the County and approximately 3% of such assessed valuation relates to property located within Imperial County.

Purpose of Issue

The Bonds are being issued to (i) finance acquisition and construction costs relating to two new schools and costs relating to permanent improvement or renovation of existing school facilities by the District, (ii) fund capitalized interest to pay interest on the Bonds for a period of time, and (iii) pay certain costs of issuance for the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “APPLICATION OF PROCEEDS OF BONDS” herein.

Description of the Bonds

The Bonds mature on August 1 in the years indicated on the inside cover page hereof. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2017.

Registration. The Bonds will be issued in fully-registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and will be available to actual

* Preliminary, subject to change.

purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the cover page hereof, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See THE BONDS – Book-Entry-Only System” and APPENDIX H – “BOOK-ENTRY SYSTEM.” In the event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See “THE BONDS – Registration, Transfer and Exchange of Bonds.”

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

Redemption. The Bonds are subject to optional and mandatory redemption. See “THE BONDS – Redemption.”

Municipal Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the “Policy”) to be issued concurrently with the delivery of the Bonds by [Insurer] (“INSURER”) or the “Bond Insurer”). See “BOND INSURANCE” below.

Other Matters Relating to Municipal Bond Insurance

In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of such insured Bonds may have a claim under the Policy. However, in the event of any acceleration of the due date of such principal by reason of optional redemption or otherwise, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any, with respect to the Bonds. The payment of principal and interest in connection with optional redemption of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such redemption by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) of such Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “RATINGS” and “BOND INSURANCE” below.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" below for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Tax Matters

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 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 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 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 Bonds. For additional detail, please see "TAX MATTERS" herein.

Offering and Delivery of the Bonds

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

Continuing Disclosure

The District will covenant for the benefit of bondowners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of listed events is summarized under "OTHER LEGAL MATTERS – Continuing Disclosure" and as set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Professionals Involved in the Bond Offering

Several professional firms have provided services to the District with respect to the sale and delivery of the Bonds. 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, has served as disclosure counsel to the District with respect to the Bonds. Fieldman Rolapp & Associates is acting as Financial Advisor. Norton

Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriter. U.S. Bank National Association will act as Paying Agent for the Bonds. The payment of fees and expenses of such firms with respect to the Bonds is contingent on the sale and delivery of the Bonds. The District's financial statements for the Fiscal Year ending June 30, 2015, which are included as Appendix B, have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent of the Coachella Valley Unified School District, 87225 Church Street, Thermal, California 92274, telephone number (760) 848-1162. There may be a charge for copying, mailing and handling.

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

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

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

THE BONDS

Authority for Issuance

The Bonds are authorized to be issued by the County, on behalf of the District, pursuant to provisions of the California Government Code Sections 53506 *et seq.* and, to the extent applicable, Education Code Sections 15100 *et seq.* and other applicable law and pursuant to the Bond Resolution. At an election held on June 7, 2005, the District received the 2005 Authorization. On September 7, 2005, the District issued \$49,998,180 of Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series A (the "2005 Series A Bonds"). On February 22, 2007, the District issued \$30,000,000 of Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series B (the "2005 Series B Bonds"). On May 26, 2010, the District issued \$24,990,463 of Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series C (the "2005 Series C Bonds"). On July 12, 2012, the District issued \$54,999,882 of Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series D (the "2005 Series D Bonds"). On June 2, 2016, the District issued \$39,680,000 of Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series 2016-E (the "2005 Series 2016-E Bonds"). The Bonds are the sixth series of bonds issued pursuant to the 2005 Authorization, leaving only a de minimus amount of the 2005 Authorization authorized but unissued.

The District received an SBE waiver of the applicable bonding capacity limits otherwise applicable to the District and the issuance of the Bonds pursuant to the 2006 Authorization.

Security

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and are obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, shall be deposited and kept separate and apart in the funds established and held by the Treasurer and designated as the "Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series 2016-F Bonds Debt Service Fund" (the "Debt Service Fund"). The Debt Service Fund shall be used by the County for the payment of the principal of and interest on the Bonds when due, and for no other purpose. Although the Counties are obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will hold the Debt Service Fund, the Bonds are not a debt of the Counties. See "TAX BASE FOR REPAYMENT OF BONDS" herein.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of, interest on and redemption premium, if any, on the Bonds as the same become 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 of, interest on, and redemption premium, if any, on the Bonds, as applicable, to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. Interest earnings on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the District to pay principal of and interest on the Bonds when due (subject to compliance with applicable federal tax code requirements).

The rate of the annual *ad valorem* taxes levied by the Counties to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to

fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see APPENDIX A – "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien for General Obligation Bonds

To further secure payment of general obligation bonds, the State Legislature approved Senate Bill 222, which was signed by the Governor on July 13, 2015. Senate Bill 222 provides that general obligation bonds sold by or on behalf of a local agency, including a school district (such as the Bonds), shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the ad valorem tax, that the lien automatically arises without the need for any action or authorization by the local agency or its governing body and that the lien shall be valid and binding from the time such bonds are executed and delivered. Senate Bill 222 became effective on January 1, 2016.

Description of the Bonds; Payment

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

Payment of principal of and interest on any Bonds, shall be payable at maturity upon surrender at the office of the Paying Agent as designated by the Paying Agent to the District in writing. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Interest on the Bonds accrues from their date of issuance and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017 (each an "Interest Payment Date"). Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall be issued in denominations of \$5,000 or integral multiples thereof and bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2017, in which event it shall bear interest from their date of issuance; *provided, however*, that if at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest payments on any Bond shall be paid on each Interest Payment Date by check mailed by first class mail to the person on whose name the Bond is registered, and to that person's address appearing on the Bond Register as of the close of business on the 15th day of the month immediately preceding such Interest Payment Date whether or not such day is a business day (each a "Record Date") immediately preceding such payment date. An owner of an aggregate principal amount of Bonds of \$1,000,000 or

more may request, in writing, prior to the close of business on the Record Date preceding each Interest Payment Date, to the Paying Agent that such owner be paid interest by wire transfer to the bank within the 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 Bonds shall be payable at maturity or redemption upon surrender at the office of the Paying Agent as designated by the Paying Agent to the District in writing. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

See the maturity schedule on the inside cover page hereof and "DEBT SERVICE SCHEDULE."

Book-Entry-Only System

The Depository Trust Company (defined above as "DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC. Principal of, premium, if any, on the Bonds and payment of interest on the Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry-only system. See APPENDIX H – "BOOK-ENTRY SYSTEM."

Paying Agent

Pursuant to the Bond Resolution, the District has appointed U.S. Bank National Association as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Paying Agent") for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of any Bonds called for redemption or of any other action covered by such notice.

The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity and to cancel all Bonds upon payment thereof. The Bonds are obligations of the District. No part of any fund of the Counties is pledged or obligated to the payment of the Bonds.

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

Redemption *

Optional Redemption

[confirm: The Bonds maturing on or before August 1, 2026, are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 2027, are subject to optional redemption prior to maturity from any funds legally available therefor, in whole or in part on any date, on or after August 1, 2026, at the principal amount of the Bonds to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Redemption

The Term Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption, in part, by lot, on August 1, 20__, and on each August 1 thereafter 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, plus accrued but unpaid interest, without premium.

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

† Maturity.

The Term Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption, in part, by lot, on August 1, 20__, and on each August 1 thereafter 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, plus accrued but unpaid interest, without premium.

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

† Maturity.

* Preliminary, subject to change.

The Term Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption, in part, by lot, on August 1, 20__, and on each August 1 thereafter 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, plus accrued but unpaid interest, without premium.

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

† Final Maturity.

The principal amount of any term 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 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 Bonds pursuant to the terms thereof, moneys in the Debt Service Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds in the manner provided in the Bond Resolution. Purchases of Outstanding Bonds may be made by the District or the County Treasurer through the Paying Agent prior to the selection of Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par, plus accrued interest.

Selection of Bonds for Redemption

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

Notice of Redemption

While the 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 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 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 (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) if less than all of the then outstanding Bonds are to be called for redemption, the numbers (or state that all Bonds between two stated numbers both inclusive have been called for redemption) 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 Bonds and the specific Bonds to be 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, the portion of the principal amount of such Bonds to be redeemed, together with interest accrued, to the date of redemption, and redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue, as applicable.

Any redemption notice shall be mailed, first-class postage, to the registered owners of any Bonds designated for redemption at their address appearing on the Bond Register required to be kept by the Paying Agent, and to a securities depository and to a national information service, in every case at least 20 days, but not more than 45 days, prior to the designated redemption date. Any such redemption or notice of such redemption shall be subject to the provisions regarding "Contingent Redemption; Rescission of Redemption" described below.

Neither failure to receive or failure to send such redemption notice nor any defect in any redemption notice so given 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.

Contingent Redemption; Rescission of Redemption

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

Additionally, the District may rescind any optional redemption of the 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 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 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. The District, the County and the Paying Agent will have no liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of the Bond Resolution.

Partial Redemption of Bonds

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

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 Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution, together with interest 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 Bonds to be redeemed shall cease to accrue and become payable. All money held for the redemption of Bonds shall be held in trust for the account of the registered Owners of the Bonds to be redeemed.

All 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 and the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent.

Defeasance

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

- a. Cash. By irrevocably depositing with 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 Bonds outstanding and designated for defeasance, including all principal and interest; or
- b. Defeasance Securities. By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Securities (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 for the Bonds, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds, and the District and the County with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the registered owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

Defeasance Securities 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 Securities; (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 Securities; and (c) the underlying Defeasance Securities 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 at the time of purchase.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, if the book-entry only system is no longer in effect, the District will cause the Paying Agent to maintain and keep at its principal trust office all books and records necessary for the registration, exchange and transfer of certificated the Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal of and premium, if any, and interest on any Bond shall be made only to or upon the order of that person; the 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 District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

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

In all cases of exchanged or transferred Bonds, the County shall sign and the Paying Agent shall authenticate and deliver 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 Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Bond Resolution as the Bonds surrendered upon that exchange or transfer.

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

The District, the County and the Paying Agent will not be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day of the month next preceding either any Interest Payment Date or beginning on the date of selection of 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 Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	\$
Plus Net Premium	_____
Total Sources	\$
Uses of Funds	
Building Fund	\$
Debt Service Fund ⁽¹⁾	
Costs of Issuance ⁽²⁾	_____
Total Uses	\$

⁽¹⁾ Deposit to the Debt Service Fund to fund interest on the Bonds through approximately _____.

⁽²⁾ Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Paying Agent, District consultants, Underwriter's discount, the rating fees, bond insurance premium, if any, the cost of printing the preliminary and final Official Statements and other costs associated with issuing, selling and delivering the Bonds.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds.

<u>Year Ending August 1</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Annual Debt Service</u>
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			
20__			
	\$	\$	\$

AGGREGATE DEBT SERVICE SCHEDULE

Aggregate Debt Service Schedules. The following table displays the annual debt service requirements of the District for all of its outstanding general obligation bonds (assuming no optional redemptions or extraordinary redemptions), including general obligation bonds issued under the 1997 Authorization and the 2005 Authorization and general obligation bonds issued under the \$41,000,000 authorization received on November 6, 2012 (the “2012 Authorization”).

TABLE 1
TOTAL OUTSTANDING BONDED DEBT
Coachella Valley Unified School District

Year Ending August 1	The 1997 Authorization				The 2005 Authorization				2005 Series 2016-F Bonds
	1997 Series B Bonds	2010 Refunding Bonds	2005 Series A and B Bonds (1)	2005 Series C Bonds	2005 Series D Bonds	2014 Gen. Obl. Ref. Bonds, Series A	2014 Gen. Obl. Ref. Bonds, Series B	2015 Gen. Obl. Ref. Bonds	
2017	\$1,350,000.00	\$710,100.00	\$498,750.00	--	\$2,036,125.00	\$3,855,725.00	\$814,537.50	\$456,793.76	\$4,911,054.88
2018	1,450,000.00	717,700.00	--	--	2,311,125.00	3,840,925.00	1,362,737.50	456,793.76	2,506,118.76
2019	1,555,000.00	719,100.00	--	--	2,562,875.00	3,822,925.00	1,429,937.50	456,793.76	1,373,118.76
2020	1,670,000.00	716,425.00	--	--	2,906,475.00	3,851,725.00	1,371,137.50	556,793.76	1,373,118.76
2021	1,785,000.00	722,625.00	--	--	3,020,475.00	3,824,525.00	1,676,637.50	555,293.76	1,373,118.76
2022	1,900,000.00	520,625.00	--	--	3,128,475.00	3,990,325.00	1,650,137.50	453,543.76	1,628,118.76
2023	2,775,000.00	--	--	--	3,728,475.00	3,840,125.00	1,602,387.50	453,543.76	1,635,468.76
2024	--	--	--	\$1,800,000.00	2,183,475.00	3,790,875.00	1,909,387.50	453,543.76	1,554,668.76
2025	--	--	--	2,000,000.00	2,320,187.50	3,830,125.00	1,938,387.50	453,543.76	1,626,668.76
2026	--	--	--	2,000,000.00	2,361,687.50	3,869,875.00	2,297,387.50	453,543.76	1,640,468.76
2027	--	--	--	2,400,000.00	2,440,762.50	3,844,625.00	2,298,737.50	453,543.76	1,658,268.76
2028	--	--	--	2,500,000.00	2,495,825.00	3,852,625.00	246,375.00	3,003,543.76	1,509,868.76
2029	--	--	--	2,700,000.00	2,696,762.50	--	4,084,625.00	3,102,043.76	1,596,868.76
2030	--	--	3,000,000.00	3,000,000.00	2,912,762.50	--	1,174,725.00	3,148,137.50	1,490,068.76
2031	--	--	--	6,000,000.00	4,653,762.50	--	--	3,177,200.00	1,407,068.76
2032	--	--	--	8,000,000.00	6,383,362.50	--	--	--	1,403,318.76
2033	--	--	--	8,400,000.00	6,498,250.00	--	--	--	1,449,568.76
2034	--	--	--	9,000,000.00	6,496,250.00	--	--	--	1,444,318.76
2035	--	--	--	9,500,000.00	6,616,750.00	--	--	--	1,464,068.76
2036	--	--	--	10,000,000.00	6,763,000.00	--	--	--	1,458,068.76
2037	--	--	--	10,000,000.00	7,407,750.00	--	--	--	1,632,068.76
2038	--	--	--	10,500,000.00	7,400,000.00	--	--	--	1,750,193.76
2039	--	--	--	10,500,000.00	7,800,000.00	--	--	--	1,924,256.26
2040	--	--	--	11,000,000.00	7,800,000.00	--	--	--	2,057,381.26
2041	--	--	--	11,000,912.94	8,500,000.00	--	--	--	2,105,662.50
2042	--	--	--	11,006,532.14	8,500,000.00	--	--	--	2,526,600.00
2043	--	--	--	12,000,000.00	8,500,000.00	--	--	--	2,446,400.00
2044	--	--	--	--	--	--	--	--	13,517,200.00
2045	--	--	--	--	--	--	--	--	13,988,000.00
Total	\$12,485,000.00	\$4,106,575.00	\$3,498,750.00	\$143,307,445.08	\$130,424,612.50	\$46,214,400.00	\$23,857,137.50	\$17,634,656.38	\$76,451,173.86

(1) The Series A Bonds are the August 1, 2030 maturity in the amount of \$3,000,000 and the Series B Bonds are the August 1, 2017 maturity in the amount of \$498,750.
Source: Coachella Valley Unified School District.

TABLE 1
(continued)
TOTAL OUTSTANDING BONDED DEBT
Coachella Valley Unified School District

The 2012 Authorization

Year Ending August 1	2012		Federally Taxable 2012		Total Annual Debt Service
	Series A Bonds	Series B Bonds	Series B Bonds	Total Annual Debt Service	
2017	\$2,276,838.20	\$195,539.16	\$195,539.16	\$17,105,463.50	
2018	2,318,093.20	195,539.16	195,539.16	15,159,032.38	
2019	1,317,534.46	195,539.16	195,539.16	13,432,823.64	
2020	1,381,254.80	1,575,539.16	1,575,539.16	15,402,468.98	
2021	1,430,955.80	1,550,726.16	1,550,726.16	15,939,356.98	
2022	1,500,282.30	1,606,379.10	1,606,379.10	16,377,886.42	
2023	1,538,775.30	1,655,115.56	1,655,115.56	17,228,890.88	
2024	1,612,996.30	--	--	13,304,946.32	
2025	1,675,489.40	--	--	13,844,401.92	
2026	1,752,527.30	--	--	14,375,489.82	
2027	1,823,200.80	--	--	14,919,138.32	
2028	1,897,509.90	--	--	15,505,747.42	
2029	--	--	--	14,180,300.02	
2030	--	--	--	14,725,693.76	
2031	--	--	--	15,238,031.26	
2032	--	--	--	15,786,681.26	
2033	--	--	--	16,347,818.76	
2034	--	--	--	16,940,568.76	
2035	--	--	--	17,580,818.76	
2036	--	--	--	18,221,068.76	
2037	--	--	--	19,039,818.76	
2038	--	--	--	19,650,193.76	
2039	--	--	--	20,224,256.26	
2040	--	--	--	20,857,381.26	
2041	--	--	--	21,606,575.44	
2042	--	--	--	22,033,132.14	
2043	--	--	--	22,946,400.00	
2044	--	--	--	13,517,200.00	
2045	--	--	--	13,988,000.00	
Total	\$20,525,457.76	\$6,974,377.46	\$6,974,377.46	\$485,479,585.54	

APPLICATION OF PROCEEDS OF BONDS

Series 2016-F Bonds Building Fund

A portion of the proceeds from the sale of the Bonds, shall be paid to the County to the credit of the "Coachella Valley Unified School District General Obligation Bonds, 2005 Election, Series 2016-F Bonds Building Fund" (the "Building Fund"). Proceeds of the Bonds shall be used solely for authorized purposes which relate to the acquisition and construction of additional school facilities and the permanent improvement or renovation of existing school facilities by the District, funding interest payments and to the payment of costs of issuance of the Bonds. The District intends to use the net construction proceeds of the Bonds as described above in "INTRODUCTION – Purpose of Issue." Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

Any tax revenues collected by the Counties pursuant to the Bond Resolution, and Section 15260 *et seq.* of the Education Code, with respect to the Bonds shall be deposited and kept separate and apart in the Debt Service Fund and shall be used only for payment of principal of and interest on the Bonds.

Permitted Investments

The Riverside County Treasurer ("County Treasurer") is authorized to invest all proceeds of taxes for payment of the Bonds in the County of Riverside Pooled Investment Fund (the "County Pooled Investment Fund") (or other investment pools of the County into which the District may lawfully invest its funds). Upon the written direction of the District, the County Treasurer may invest proceeds of taxes collected for payment of the 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 Bonds necessary in order to maintain the then-current ratings on the Bonds or in the Local Agency Investment Fund established by the State Treasurer.

RIVERSIDE COUNTY TREASURY POOL

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

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, [Insurer] (previously defined as "[INSURER]") will issue its Municipal Bond Insurance Policy for the Bonds (previously defined as "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

[Insurer]

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

The collection of property taxes is significant in two respects. First, each County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the District within such County which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographics. See APPENDIX A – "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – Allocation of State Funding to School Districts; Restructuring the K-12

Funding System” and “ – Local Control Funding Formula” and “ – EFFECT OF STATE BUDGET ON REVENUES – 2016-17 Proposed State Budget” below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the Counties to the owners of parcels within the boundaries of the District.

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

For purposes of allocating a county’s 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the 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 respective Counties for each fiscal year on taxable real and personal property in the District which is situated in the respective Counties 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 which is sufficient, in the opinion of the applicable 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, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the applicable County Treasurer.

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 clerk and county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

Future assessed valuation growth allowed under Article XIII A (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 District.

Assessed Valuations

The assessed valuation of property in the District is established by the respective County's Assessors, except for public utility property which is assessed by the State Board of Equalization ("SBE"). For a discussion of how properties currently are assessed, see "APPENDIX A – INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED 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 Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and each county's taxing purposes. The valuation of secured property by the applicable County Assessor is established as of January 1 and is subsequently equalized in September of each year.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the SBE. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. This may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating non-unitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as occurred under electric power deregulation in California, affects how those assets are assessed and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District since the property's value will no longer be divided among all taxing jurisdictions in the applicable County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the applicable County. The District is unable to predict future transfers of State-assessed property in the District and the applicable County, the impact of such transfers on its utility property tax revenues or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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.

Each 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 “ – Alternative Method of Tax Distribution – Teeter Plan” and “ – Tax Levies, Collections and Delinquencies” below.

Property within the District has a total assessed valuation for Fiscal Year 2016-17 of \$9,315,916,485. The following tables represent a six-year history of assessed valuations in the District.

TABLE 2

**ASSESSED VALUATIONS
Fiscal Years 2010-11 through 2015-16
Coachella Valley Unified School District**

Riverside County Portion ⁽¹⁾

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2010-11	\$7,432,820,977	\$1,891,781	\$167,051,927	\$7,601,764,685
2011-12	7,058,836,878	1,891,781	151,934,858	7,212,663,517
2012-13	7,053,068,507	1,417,431	147,987,360	7,202,473,298
2013-14	7,333,776,207	1,417,431	135,506,923	7,470,700,561
2014-15	7,903,549,201	1,417,431	138,880,958	8,043,847,590
2015-16	8,359,866,874	1,417,431	148,089,387	8,509,373,692
2016-17	8,874,098,905	1,417,431	156,368,344	9,031,884,680

Imperial County Portion

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u> ⁽²⁾	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2010-11	\$273,690,571	\$0	\$7,988,075	\$281,678,646
2011-12	248,910,974	0	4,877,456	253,788,430
2012-13	246,218,585	0	5,184,939	251,403,524
2013-14	243,899,116	0	4,225,399	248,124,515
2014-15	242,835,255	0	6,784,953	249,620,208
2015-16	261,445,965	0	6,201,199	267,647,164
2016-17	277,164,806	0	6,866,999	284,031,805

Total District

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2010-11	\$7,706,511,548	\$1,891,781	\$175,040,002	\$7,883,443,331
2011-12	7,307,747,852	1,891,781	156,812,314	7,466,451,947
2012-13	7,299,287,092	1,417,431	153,172,299	7,453,876,822
2013-14	7,577,675,323	1,417,431	139,732,322	7,718,825,076
2014-15	8,146,384,456	1,417,431	145,665,911	8,293,467,798
2015-16	8,621,312,839	1,417,431	154,290,586	8,777,020,856
2016-17	9,151,263,711	1,417,431	163,235,343	9,315,916,485

⁽¹⁾ The District notes that it is currently aware of an effort to transfer a small amount of District territory (124 residential dwelling units) into the Desert Sands School District. The District cannot predict whether these efforts will be pursued or successful.

⁽²⁾ There is no utility property in the Imperial County portion of the District.

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial

destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought, fire or toxic contamination, 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 rate levied by the Counties to pay the debt service with respect to the Bonds.

With respect to droughts specifically, the State of California in recent years has been facing water shortfalls. Most recently, on May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown, Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State's drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought contingency plans and improving agricultural water management and drought plans. On May 18, 2016, the State Water Resources Control Board adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three more dry years like the ones the State experienced from 2012 to 2015. Water agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

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 District cannot predict how long the drought conditions will last, what effect drought conditions may have on property values, to what extent water reduction requirements may affect the homeowners or others in the District or to what extent the drought could cause disruptions to economic activity within the boundaries of the District. See "INTRODUCTION – Sources of Payment for the Bonds" and "THE BONDS – Security" herein.

The assessed valuation of property in the District is established by the respective County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix A herein.

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.

Assessed Valuation and Parcels by Land Use

The following table is a per parcel analysis of the District's secured assessed valuation for Fiscal Year 2016-17 by land use.

TABLE 3
SECURED ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2016-17
Coachella Valley Unified School District

	2016-17 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 604,271,498	6.60%	2,219	4.69%
Commercial/Recreational	590,397,443	6.45	817	1.73
Vacant Commercial	127,109,510	1.39	950	2.01
Industrial	186,166,433	2.03	227	0.48
Institutional/Social/Religious	4,437,200	0.05	133	0.28
Other Vacant/Desert Parcels	<u>214,908,042</u>	<u>2.35</u>	<u>13,420</u>	<u>28.38</u>
Subtotal Non-Residential	\$1,727,290,126	18.87%	17,766	37.57%
Residential:				
Single Family Residence	\$5,760,207,877	62.94%	15,612	33.01%
Condominium/Townhouse	513,626,525	5.61	1,430	3.02
Mobile Home	61,506,653	0.67	140	0.30
Mobile Home Park	6,078,930	0.07	73	0.15
2+ Residential Units	399,591,975	4.37	273	0.58
Vacant Residential	<u>682,961,625</u>	<u>7.46</u>	<u>11,997</u>	<u>25.37</u>
Subtotal Residential	\$7,423,973,585	81.13%	29,525	62.43%
Total	\$9,151,263,711	100.00%	47,291	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes

The following table is a per parcel analysis of the assessed valuation of single-family homes within the District, in terms of their Fiscal Year 2016-17 assessed valuation.

TABLE 4
ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2016-17
Coachella Valley Unified School District

Single Family Residential	No. of <u>Parcels</u>	2016-17 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
	15,612	\$5,760,207,877	\$368,960	\$182,520

<u>2016-17 Assessed Valuation</u>	No. of <u>Parcels</u> ⁽¹⁾	% of <u>Total</u>	Cumulative <u>% of Total</u>	<u>Total Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	1,007	6.450%	6.450%	\$ 36,099,965	0.627%	0.627%
\$50,000 - \$99,999	2,688	17.218	23.668	205,623,125	3.570	4.196
\$100,000 - \$149,999	2,685	17.198	40.866	333,976,170	5.798	9.994
\$150,000 - \$199,999	2,127	13.624	54.490	371,155,194	6.443	16.438
\$200,000 - \$249,999	1,341	8.590	63.080	298,608,383	5.184	21.622
\$250,000 - \$299,999	608	3.894	66.974	164,544,187	2.857	24.478
\$300,000 - \$349,999	395	2.530	69.504	128,263,459	2.227	26.705
\$350,000 - \$399,999	420	2.690	72.194	156,718,396	2.721	29.426
\$400,000 - \$449,999	376	2.408	74.603	160,264,539	2.782	32.208
\$450,000 - \$499,999	386	2.472	77.075	182,753,874	3.173	35.381
\$500,000 - \$549,999	363	2.325	79.400	190,674,768	3.310	38.691
\$550,000 - \$599,999	385	2.466	81.867	221,113,832	3.839	42.530
\$600,000 - \$649,999	415	2.658	84.525	259,943,526	4.513	47.042
\$650,000 - \$699,999	271	1.736	86.261	182,290,436	3.165	50.207
\$700,000 - \$749,999	256	1.640	87.900	185,783,656	3.225	53.432
\$750,000 - \$799,999	204	1.307	89.207	157,491,035	2.734	56.166
\$800,000 - \$849,999	163	1.044	90.251	133,971,660	2.326	58.492
\$850,000 - \$899,999	133	0.852	91.103	116,162,527	2.017	60.509
\$900,000 - \$949,999	158	1.012	92.115	146,272,442	2.539	63.048
\$950,000 - \$999,999	113	0.724	92.839	109,936,874	1.909	64.957
\$1,000,000 and greater	<u>1,118</u>	<u>7.161</u>	100.000	<u>2,018,559,829</u>	<u>35.043</u>	100.000
Total	15,612	100.000%		\$5,760,207,877	100.000%	

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

The following table shows the assessed valuations by jurisdiction in Fiscal Year 2016-17 in the District.

TABLE 5
ASSESSED VALUATION BY JURISDICTION ⁽¹⁾
Fiscal Year 2016-17
Coachella Valley Unified School District

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Coachella	\$1,564,856,321	16.80%	\$1,685,664,936	92.83%
City of Indio	979,654,714	10.52	7,683,747,887	12.75
City of La Quinta	4,894,319,624	52.54	12,506,524,199	39.13
Unincorporated Riverside County	1,593,054,021	17.10	38,062,866,343	4.19
Unincorporated Imperial County	<u>284,031,805</u>	<u>3.05</u>	5,340,588,171	5.32
Total District	\$9,315,916,485	100.00%		
<u>Summary by County:</u>				
Riverside County	\$9,031,884,680	96.95%	\$250,516,388,879	3.61%
Imperial County	<u>284,031,805</u>	<u>3.05</u>	12,107,101,529	2.35
Total District	\$9,315,916,485	100.00%		

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

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in Fiscal Year 2016-17:

TABLE 6

**LARGEST LOCAL SECURED PROPERTY OWNERS
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

Largest 2016-17 Local Secured Taxpayers

<u>Property Owner</u>	<u>2016-17 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total ⁽¹⁾</u>
1. Anthony Vineyards	Industrial and Agricultural	\$74,515,398	0.81%
2. Lennar Homes of California Inc.	Residential Development	57,669,938	0.63
3. Coral Option I	Residential Development	56,328,697	0.62
4. Woodspur Farming	Agricultural	50,250,469	0.55
5. Red Globes Properties	Agricultural	50,123,494	0.55
6. Desert Polo Land Co.	Polo Club and Festival Grounds	44,052,444	0.48
7. TD Desert Development	Commercial	43,396,200	0.47
8. JTM Land Co.	Race Track	41,441,983	0.45
9. East of Madison	Country Club and Residential	36,489,688	0.40
10. Michael Bozick	Agricultural	34,881,014	0.38
11. RREF II CWC LAQ	Residential Development	34,161,004	0.37
12. LQR Golf	Golf Course and Resort	33,968,648	0.37
13. California Artichoke and Vegetable Growers	Agricultural	32,513,706	0.36
14. Sunrise Desert Partners	Agricultural	29,121,097	0.32
15. Armtec Defense Products Co.	Industrial	28,338,869	0.31
16. Crown Hill Ranches Inc.	Agricultural	25,007,851	0.27
17. Polo Estates Ventures	Residential Development	23,407,383	0.26
18. Smoketree Apartments 288	Apartments	22,379,747	0.24
19. Colmac Energy Inc.	Industrial	21,639,882	0.24
20. La Quinta MB Welling Ltd.	Apartments	<u>21,104,096</u>	<u>0.23</u>
		\$760,791,608	8.31%

⁽¹⁾ Fiscal Year 2016-17 Local Secured Assessed Valuation: \$9,151,263,711
Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

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

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

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

Alternative Method of Tax Distribution – “Teeter Plan”

The Counties have each implemented an alternative method for the distribution of secured property taxes to local agencies, known as the “Teeter Plan.” The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The Boards of Supervisors of the Counties adopted the Teeter Plan on June 29, 1993. The Counties’ Teeter Plans apply to the District and to the Bonds.

The *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds is subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the Counties.

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

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

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.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the Counties.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) 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 judgment lien on specific 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 specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county. The following table shows secured *ad valorem* taxes for the payment of bonded indebtedness of the District, and amounts delinquent as of June 30, for Fiscal Years 2010-11 through 2015-16:

TABLE 7

**SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2010-11 through 2015-16
Coachella Valley Unified School District**

<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2010-11	\$6,854,503.08	\$387,467.90	5.65%
2011-12	5,220,696.01	214,060.50	4.10
2012-13	5,576,917.53	150,147.04	2.69
2013-14	10,800,128.94	182,672.66	1.69
2014-15	11,666,471.06	177,044.33	1.52
2015-16	10,936,880.16	175,033.67	1.60

⁽¹⁾ Debt service levy only.

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* taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school general obligation bonds and other voter-approved indebtedness.

The table below provides historical total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area (TRA 20-160) (Riverside County Portion) ⁽¹⁾ within the District from Fiscal Year 2011-12 to Fiscal Year 2015-16.

TABLE 8

**SUMMARY OF AD VALOREM TAX RATES
Fiscal Years 2011-12 through 2015-16
Coachella Valley Unified School District**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Desert Community College District	.01995	.01995	.01995	.02325	.02087
Coachella Valley Unified School District	.07487	.07968	.14919	.14919	.13218
Coachella Valley Water District	<u>.08000</u>	<u>.08000</u>	<u>.10000</u>	<u>.10000</u>	<u>.10000</u>
Total	1.17482%	1.17963%	1.26914%	1.27244%	1.25305%

⁽¹⁾ Fiscal Year 2016-17 assessed valuation of TRA 20-160 is \$1,249,466,371, which is 13.41% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Bonded Debt

Set forth below is a direct and overlapping debt report as of August 29, 2016 (the "Debt Report") with respect to the District prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. Neither the District nor the Underwriter have reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

TABLE 9

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

2016-17 Assessed Valuation: \$9,315,916,485

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable ⁽¹⁾</u>	<u>Debt 9/1/16</u>
Desert Community College District	12.274%	\$ 34,176,880
Coachella Valley Unified School District	100.	213,560,413 ⁽²⁾
Pioneers Memorial Healthcare District	7.227	844,475
Desert Recreation and Park District Reassessment District No. 01-1	8.154	36,693
Coachella Valley Water District, Assessment District Nos. 32 and 33	100.	821,528
City of Indio Assessment District No. 2001-1	29.320	<u>746,194</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$250,186,183
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	3.572%	\$31,782,411
Riverside County Pension Obligation Bonds	3.572	10,877,454
Riverside County Board of Education Certificates of Participation	3.572	33,398
Imperial County Certificates of Participation	2.265	189,694
Imperial County Pension Obligation Bonds	2.265	863,645
Coachella Valley Unified School District General Fund Obligations	100.	41,035,000
City of Indio Certificates of Participation	12.145	2,396,209
City of La Quinta General Fund Obligations	38.528	712,768
Desert Recreation and Park District Certificates of Participation	18.811	<u>230,330</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$88,120,909
Less: Riverside County supported obligations		<u>222,783</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$87,898,126
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Coachella Redevelopment Agency	91.275%	\$ 33,465,979
La Quinta Redevelopment Agency	14.716	28,552,719
Riverside County Redevelopment Agency	17.971-80.692	<u>137,395,012</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$199,413,710
 GROSS COMBINED TOTAL DEBT		\$537,720,802 ⁽³⁾
NET COMBINED TOTAL DEBT		\$537,498,019

(1) 2015-16 ratios.

(2) Excludes issue to be sold.

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

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$213,560,413)	2.29%
Total Direct and Overlapping Tax and Assessment Debt.....	2.69%
Combined Direct Debt (\$254,595,413)	2.73%
Gross Combined Total Debt.....	5.57%
Net Combined Total Debt.....	5.57%

Ratio to Redevelopment Incremental Valuation (\$4,043,400,574):

Total Overlapping Tax Increment Debt.....	4.93%
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Source: California Municipal Statistics, Inc.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, 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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the 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 District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The 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 Bonds.

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

Original Issue Discount; Premium Bonds

The initial public offering price of the Bonds in some cases 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 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 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.

Purchasers 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 Bonds, other federal income tax consequences of owning tax-exempt obligations with original issue discount and any state and local consequences of owning the Bonds.

The 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 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 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 Owners of the 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, liquidity of or marketability of, the 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 Bonds. Prospective purchasers of the 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 " – Opinion of Bond Counsel," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under the other redemption provisions contained in the Bond Resolution.

Internal Revenue Service Audits of Tax-Exempt Securities Issues

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007, on tax-exempt obligations, including the 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 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 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 Bonds.

OTHER LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of registered owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s Fiscal Year (so long as the 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 April 1, 2017), and to provide notices of the occurrence of certain listed events. The Annual Report will be filed by the 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 notice of a listed event will be filed by the 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 listed events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

District Prior Disclosure Compliance. A review of the District’s prior disclosure undertakings and its prior disclosure filings since [September __, 2011, indicates the District did not fully comply in all material respects with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the District that the late filings were

material. For example, (1) certain annual reports and certain audited financial statements with respect to Fiscal Years 2010-11 and 2011-12 were not timely filed, (2) certain annual reports for Fiscal Years 2010-11 through 2012-13 did not include all content required by the applicable disclosure undertaking, and (3) certain notices of listed events relating to changes in the ratings of certain of the District's then outstanding obligations were not timely filed. The District has filed the annual reports and audited financial statements which were not timely filed, has filed addendums and additional information relating to annual reports to provide information not included in the annual reports filed, and has filed listed event notices that were not timely filed in connection with rating changes on its obligations. The District believes that it is currently in material compliance with all of its continuing disclosure undertakings and the District has hired an outside consultant to facilitate preparation and filing of disclosure reports and notices of listed events in the future.

Limitation on Remedies

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

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

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

Legality for Investment in California

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

Absence of Material Litigation

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

RATINGS

The Bonds are expected to be assigned a rating of “___” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) and “___” by Moody's Investors Service, Inc. (“Moody's”) based on the issuance of the Policy by [INSURER] at the time of delivery of the Bonds. Additionally, S&P and Moody's have assigned underlying ratings of “___” and “___,” respectively, to the Bonds without consideration of the issuance of the Policy. Each rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by a rating agency. Some information provided to the rating agencies by the 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 downward revision or withdrawal of a rating may have an adverse effect on the market price for the Bonds.

Rating Downgrades of Municipal Bond Insurers. In the past, Moody's, S&P and Fitch Ratings (the “Rating Agencies”) have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Additional downgrades or negative changes in the rating outlook are possible. In addition, recent events in the credit markets have had a substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such potential Bond Insurer. Neither the District nor the Underwriter have made an independent investigation into the claims paying ability of such potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of potential Bond Insurers, particularly over the life of the investment.

UNDERWRITING

The Bonds will be purchased by RBC Capital Markets, LLC, as Underwriter (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which is equal to the principal amount of the Bonds, [plus/less a [net] original issue premium/discount] of \$_____, and less an Underwriter's discount of \$_____. The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make

such purchase being subject to certain terms and conditions set forth in said agreements the approval of certain legal matters by counsel and certain other conditions.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District; *provided, however*, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

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

ADDITIONAL INFORMATION

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

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

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

By

Dr. Derwin S. (Darryl) Adams,
Superintendent of the Coachella Valley
Unified School District

APPENDIX A

INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET

Principal of and interest on the Bonds is payable from the proceeds of an ad valorem tax levied by the Counties (defined herein) for the payment thereof. (See "THE BONDS – Security" herein.) Articles XIII A, XIII B, XIII C and XIII D of the 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 Counties to levy taxes and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties to levy taxes for payment of the Bonds. The tax levied by the Counties for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C and all applicable laws.

THE DISTRICT

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

General Information

The District is a unified school district providing elementary and secondary levels of education. Established in 1973, the District currently operates fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two 9-12 high schools, one continuation high school, one adult education extension program, one Early Head Start program, nine Head Start programs, three part-day State Preschools and ten full-day State Preschools. The District encompasses approximately 1,220 square miles, with most of its territory within Riverside County (the "County") and a small portion within Imperial County (together with the County, the "Counties"). The District serves the cities of Indio, Coachella, La Quinta, Thermal, Mecca, Oasis, North Shores and Salton City. For Fiscal Year 2015-16, the District's average daily attendance ("ADA") was 17,915 students and enrollment was 18,651, and for Fiscal Year 2016-17, the District's ADA is projected to be 17,915 students. Taxable property within the District has a Fiscal Year 2016-17 assessed valuation of \$9,315,916,485. ⁽¹⁾

Administration

The District is governed by a seven-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Darryl S. Adams is the current District Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below:

⁽¹⁾ Source: California Municipal Statistics, Inc.; Riverside and Imperial Counties.

BOARD OF TRUSTEES
Coachella Valley Unified School District

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Maria G. Machuca	President	December 2016
Manuel Jarvis-Martinez	Vice President	December 2016
Meagan Caress	Clerk	December 2018
Joey Acuña, Jr.	Member	December 2018
Blanca Hall	Member	December 2018
Lowell Kamper	Member	December 2016
Joe Murillo	Member	December 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Darryl S. Adams is currently the Superintendent of the District. Brief biographies of key personnel follow:

Dr. Darryl S. Adams, Superintendent. Dr. Adams was appointed as Superintendent of the District in 2010. Dr. Adams has previously held the positions of music teacher, band director, middle school assistant principal, high school assistant principal, high school principal, director of human resources and assistant superintendent of human resources. Additionally, he was recognized as a Teacher of the Year in Los Angeles County. Dr. Adams received a doctoral degree from Azusa Pacific University, a Master's Degree in Education Administration from California State University and a Bachelor's Degree in Music Education from the University of Memphis.

Gregory J. Fromm, Assistant Superintendent, Business and Finance. Mr. Gregory Fromm was hired by the District in October 2010. Mr. Fromm currently serves as Assistant Superintendent, Business and Finance, and has previously held the positions of physical education teacher, college football coach, assistant principal, middle school and alternative high school principal, Director of Students Services, Executive Director of School Support and Assistant Superintendent, Administrative Services. Mr. Fromm received a Masters of Arts in Educational Leadership from California State University at San Bernardino, Masters of Science in Physical Education from Canisius College and a Bachelors of Arts in Social Sciences from the State University of New York at Buffalo.

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

General. The District's operating income consist primarily of two components: a state portion funded from the State's general fund and a locally generated portion derived from the District's share of the 1% local *ad valorem* property tax 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, 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 XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budget in a different way than is proposed in the Governor's Budget. In any event, it is possible that the Accountability Act could place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes. (See APPENDIX A – "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES" and "– 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 of the revenues received by school districts was derived through numerous "categorical programs," such as for summer school textbooks, staff development, gifted and talented students and counselors for middle and high schools. The Local Control Funding Formula replaces revenue limit and most categorical program funding. The State budget provided funding commencing in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in the categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements for (1) students needing additional services, defined as English learners, students from lower income families and foster youth; (2) school districts with high concentrations of English learners and lower income families; and (3) high school students. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. Full implementation of the LCFF is estimated to take approximately eight years.

With revenues based on per-pupil rates, as augmented by the funding supplements, changes in enrollment will cause a school district to gain or lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial and public charter schools, inter-district transfers in or out and other causes. 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 District's legal minimum funding level is not expected to be met from local property taxes alone, the District budgeted receipt of general operating funds from the State in Fiscal Year 2014-15 and Fiscal Year 2015-16. The District reported receipt of approximately \$150 million in local control funding from the State in Fiscal Year 2014-15, projects \$177.7 million in local control funding from the State in Fiscal Year 2015-16 and projects \$188.8 million in local control funding from the State in Fiscal Year 2016-17. The District also reported receipt of approximately \$19.9 million of Other State funding in Fiscal Year 2014-15, projects approximately \$20.7 million of Other State funding in Fiscal Year 2015-16 and projects approximately \$13.4 million of Other State funding in Fiscal Year 2016-17. Total State funding accounts for approximately 89% of the District's overall revenues. As a result, decrease or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Average Daily Attendance

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. Table 1 shows the District's average daily attendance ("ADA") and enrollment for 2007-08 through 2016-17. 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 1
AVERAGE DAILY ATTENDANCE, REVENUE LIMIT AND ENROLLMENT
Fiscal Years 2007-08 through 2016-17
Coachella Valley Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance</u> ⁽¹⁾	<u>Change</u>	<u>Enrollment</u> ⁽²⁾
2007-08	17,436	–	18,203
2008-09	17,463	27	18,256
2009-10	17,386	(77)	18,186
2010-11	17,495	109	18,464
2011-12	17,550	55	18,409
2012-13	17,784	234	18,720
2013-14	17,313	(471)	18,850
2014-15	17,797	484	18,878
2015-16 ⁽³⁾	17,915	118	18,651
2016-17 ⁽⁴⁾	17,915	0	18,651

⁽¹⁾ Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.

⁽²⁾ Enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.

⁽³⁾ Unaudited actuals.

⁽⁴⁾ Budgeted.

Source: Coachella Valley Unified School District.

The following table shows a breakdown of the 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 2018-19.

TABLE 2
LOCAL CONTROL FUNDING FORMULA
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Year 2013-14 to 2018-19
Coachella Valley Unified School District

Fiscal Year	Average Daily Attendance ⁽¹⁾					Enrollment	
	TK-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment ⁽²⁾
2013-14	6,129.41	4,450.92	2,723.60	4,498.64	17,802.57	18,850	92.00%
2014-15 ⁽³⁾	6,069.55	4,521.65	2,732.62	4,681.99	18,005.81	18,878	96.00
2015-16 ⁽⁴⁾	5,853.54	4,568.14	2,845.80	4,647.83	17,915.36	18,651	95.47
2016-17 ⁽⁴⁾	5,853.54	4,568.14	2,845.80	4,647.83	17,915.36	18,651	95.47
2017-18 ⁽⁴⁾	5,853.54	4,568.14	2,845.80	4,647.83	17,915.36	18,651	95.47
2018-19 ⁽⁵⁾	5,853.54	4,568.14	2,845.80	4,647.83	17,915.36	18,651	95.47

⁽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 is 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⁾ Second Interim.

⁽⁵⁾ Projected based on no change from Fiscal Year 2015-16 Unaudited Actuals.

Source: Coachella Valley Unified School District.

Revenue limit 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.

As of August 2016, the District employed 973.6 full-time equivalent certificated professionals as well as 804.8 full-time equivalent classified employees and 132.6 management staff. District employees, except for management and some part-time employees, are represented by two employee bargaining units as follows:

TABLE 3

**LABOR BARGAINING UNITS
Coachella Valley Unified School District**

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Coachella Valley Teachers Association	974	June 30, 2015 ⁽¹⁾
California School Employees Association	850	June 30, 2017 ⁽²⁾

⁽³⁾ The contract for the Coachella Valley Teachers' Association is currently in negotiations.

⁽⁴⁾ A vote on a contract extension by District employees represented by the California School Employees Association was ratified by the members on May 28, 2015.

Source: Coachella Valley Unified School District.

Retirement Programs

The District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers certificated employees, as well as certain classified employees. 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.

The District's contribution to STRS was \$6,204,897 for Fiscal Year 2013-14, \$7,235,453 for Fiscal Year 2014-15, and approximately \$9,346,907 for Fiscal Year 2015-16. The District has budgeted \$11,340,288 as its contribution to STRS in Fiscal Year 2016-17. 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 District was required by such statutes to contribute 8.88% of their eligible salary for Fiscal Year 2014-15, 10.73% of their eligible salary for Fiscal Year 2015-16 and is currently required by such statutes to contribute 12.58% of eligible salary for Fiscal Year 2016-17, while participants were required to contribute 8.15% of their respective salaries for Fiscal Year 2014-15, 9.20% (classic members) and 8.56% (new members) of their respective salaries for Fiscal Year 2015-16 and are required to contribute 10.25% (classic members) and 9.20% (new members) of their respective salaries for Fiscal Year 2016-17 (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.

Interested persons may review the STRS website for details regarding its programs – <http://www.calstrs.com>. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The following information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, STRS investments lost substantial value at that time. STRS 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, 2015, identified the level of funding for the STRS defined benefit program at 68.5% of full funding based on an actuarial value of assets (70.0% based on a fair market value of assets), with an estimated actuarial obligation of \$241.7 billion, an actuarial valuation of assets of \$165.6 billion and unfunded actuarial obligations of \$76.2 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 District also participates in the State of California Public Employees' Retirement System ("PERS"). Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, 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, 11.817% of eligible salary expenditures for Fiscal Year 2015-16 and 13.888% of eligible salary expenditures for Fiscal Year 2016-17, while participants enrolled in PERS prior to the Implementation Date (defined herein) contribute 7% of their respective salaries for Fiscal Year 2014-15, 7% of their respective salaries for Fiscal Year 2015-16 and 11.847% of their respective salaries for Fiscal Year 2016-17. Participants enrolled after the Implementation Date contribute at an actuarially determined rate, which is 6% of their respective salary for Fiscal Year 2014-15, 6% of their respective salary for Fiscal Year 2015-16 and 6% of their respective salary for Fiscal Year 2016-17. See " – Governor's Pension Reform" herein.

The District's contribution to PERS was \$3,824,635 for Fiscal Year 2014-15 and \$4,684,771 for Fiscal Year 2015-16. The District has budgeted \$6,028,585 as its contribution to PERS in Fiscal Year 2016-17.

Interested persons may review the PERS website for details regarding its programs – <http://www.calpers.ca.gov>. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The following information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of the PERS adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. In December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2014, identified the level of funding for the PERS defined benefit program for schools at 86.6% of full funding. The 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 would 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 adopts 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 used 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 estimated in the 2016-17 Budget to be \$74.1 billion. Consistent with this strategy, the 2016-17 Budget (defined below) includes \$2.4 billion General Fund in 2016-17 for CalSTRS. The 2016-17 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 [Update to approved budget: 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 [Update to approved Budget: [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 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 District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

GASB 67 and 68

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

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50, Pension

Disclosures as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

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

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

At Fiscal Year 2015-16 year end, the District had an outstanding pension liability of \$97,892,874, 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.

Alternate Retirement Program

As established by Federal law, all public sector employees who are not members of their employer's existing retirement systems (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Accumulation Program of Part-Time and Limited-Service Employees ("APPLE") Plan as its alternative plan. The District contributes 3.75% of an employee's gross earnings and an employee is required to contribute 3.75% of his or her gross earnings to the pension plan. During Fiscal Year 2013-14, the District's required and actual contributions for the APPLE Plan amounted to \$76,398, which constituted 3.75% of then current year covered payroll. The District contributed \$108,839 for Fiscal Year 2014-15, \$131,805 for Fiscal Year 2015-16 and has budgeted a contribution of \$77,112 for Fiscal Year 2016-17.

Supplemental Early Retirement Plan

The District has offered supplemental early retirement plans ("SERP") to its certificated and classified employees as part of the union contracts since 1984. Eligible employees are provided an annuity to supplement the retirement benefits such employees are entitled to receive through their respective retirement systems. As of June 30, 2016, 154 employees who have retired after 2003 had elected to receive these annuities, as purchased from United of Omaha and Pacific Life Insurance. The annuities offered to the employees are paid over a five-year period. As of June 30, 2016, the future annuity payments were estimated to be as follows:

Year Ending <u>June 30</u>	<u>Total Payments</u>
2016	\$486,523
2017	112,850
2018	<u>0.00</u>
Total	<u>\$599,473</u>

Source: Coachella Valley Unified School District.

Other Postemployment Benefits

Plan Benefits. The Postemployment Benefits Plan (the “Plan”) is a single-employer defined benefit health care program administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. As of June 30, 2016, membership of the Plan consisted of 115 retirees and beneficiaries currently receiving benefits and 1,853 active Plan members.

Funding Policy. The contribution requirements of the Plan members and the District are established and amended by the District, its bargaining units and unrepresented groups on an annual basis. The District’s contribution is currently based on a projected pay-as-you-go basis to cover the cost of benefits for current retirees. For Fiscal Year 2013-14, the District contributed \$2,958,111 to the Plan, all of which was used for current premiums. For Fiscal Year 2014-15, the District contributed \$2,317,708 to the Plan, all of which was used for current premiums. For Fiscal Year 2015-16, the District has contributed \$1,736,404 to the Plan, all of which is expected to be used to pay current premiums. For Fiscal Year 2016-17, the District has projected a contribution to the Plan of \$1,710,410, all of which is expected to be used to pay current premiums.

Accrued Liability. The District has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its accrued liability in connection with post-employment benefits provided by the Plan. The most recent of these studies, prepared by Total Compensations Systems, Inc., and dated January 8, 2015, concluded the District’s total unfunded actuarial accrued liability (the “UAAL”) for such benefits, as of January 1, 2015, was \$20,767,166, and that the District’s annual required contribution (“ARC”) in respect of such benefits was \$6,275,242. The ARC is composed of the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the UAAL. Collectively, the ARC is the amount that would be necessary to fund both the Normal Cost and the UAAL in accordance with GASB Statements Nos. 43 and 45.

As of June 30, 2016, the District estimates a net, long-term obligation (the “Net OPEB Obligation”) with respect to Plan benefits of \$12,013,239, based on its contributions towards the actuarially-determined ARC. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” attached hereto.

Risk Management

The District is exposed to various risks related to torts, theft, damage and destruction of assets, errors and omissions, personal injuries and natural disasters. The District participated in the Riverside Schools’ Insurance Authority (“RSIA”) public entity risk pool for property and liability insurance coverage in Fiscal Year 2014-15. Settled claims have not exceeded the insured coverage in any of the past three years, and there has not been a significant reduction in coverage from the prior year. During Fiscal Year 2014-15, the District made a payment of \$1,048,873 to RSIA for services received. During

Fiscal Year 2015-16, the District made a payment of \$1,128,161 to RSIA for services received. During Fiscal Year 2016-17, the District budgeted a payment of \$1,256,880 to RSIA for services received.

The District participated in the Riverside Schools Risk Management Authority (“RSRMA”) public entity risk pool in Fiscal Year 2015-16 for workers’ compensation coverage. The workers’ compensation experience of the participating districts in the RSRMA risk pool is calculated and applied to a common premium rate, and participation in RSRMA is limited to local educational agencies that can meet RSRMA selection criteria. During Fiscal Year 2014-15, the District made a payment of \$5,449,599 to RSRMA for services received. During Fiscal Year 2015-16, the District made a payment of \$6,307,693 to RSRMA for services received. During Fiscal Year 2016-17, the District budgeted a payment of \$6,484,051 to RSRMA for services received.

Additionally, the District purchases medical insurance from commercial insurance companies; dental and vision benefits are self-insured by the District. The District records an estimated liability for dental and vision claims against the District. Such claims liabilities are based on estimates of the ultimate cost of reported claims

See also “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Notes 11 and 14” attached hereto.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District approved a petition to establish an independent charter school within the boundaries of the District: NOVA Academy Charter School, which opened in Fiscal Year 2009-10 (“NOVA”). Approximately 199 students were estimated to be enrolled in NOVA in Fiscal Year 2014-15, approximately 205 in Fiscal Year 2015-16 and approximately 200 projected in Fiscal Year 2016-17. Additionally, Imagine School, a County-operated charter school located within the boundaries of the District, opened in Fiscal Year 2013-14 (“Imagine”), with approximately 192 students estimated to be enrolled in Fiscal Year 2014-15. The District currently has no information about Imagine’s enrollment, and can provide no representation as to future enrollment or transfers of students from the District to Imagine.

The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools and the corresponding financing impact on the District.

EFFECT OF STATE BUDGET ON REVENUES

The information in this section concerning the State budget and State finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the Counties in an amount sufficient for the payment of the Bonds. See "THE 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 " – 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 District from all State sources accounted for approximately 83% of total general fund revenues in Fiscal Year 2013-14, approximately 88.6% of total general fund revenues in Fiscal Year 2014-15, approximately 88.9% of total general fund revenues in Fiscal Year 2015-16 and are estimated to account for approximately 89.8% of total general fund revenues in Fiscal Year 2016-17.

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 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 District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds, and the District takes no responsibility for informing Owners of the Bonds as to any such annual fluctuations.

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

Information 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> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which prepares analyses and reports regarding the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the Underwriter or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

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 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 were projected to be \$14,184 in Fiscal Year 2015-16 and \$14,550 in Fiscal Year 2016-17, including funds provided for prior year settlement obligations. Ongoing K-12 Proposition 98 per-pupil expenditures in the 2016-17 Proposed Budget were \$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 utilized 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 a rainy day 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 included:

- *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.

2016-17 State Budget. On June 27, 2016, the Governor signed the State budget for Fiscal Year 2016-17 (the “2016-17 Budget”). The 2016-17 Budget utilizes the funding to implement the LCFF and

provides \$2.9 billion in new funding, bringing the Local Control Funding Formula's implementation to 96% complete. The 2016-17 Budget proposes an additional \$2 billion deposit above the \$1.3 billion deposit required by Proposition 2 to fund the Rainy Day Fund, bringing the funds balance to \$6.7 billion or 54% of the goal.

The 2016-17 Budget includes total funding of \$88.3 billion (\$51.6 billion General Fund and \$36.7 billion other funds) for all K-12 education programs. The 2016-17 Budget includes Proposition 98 funding of \$71.9 billion for 2016-17, an increase of \$3.5 billion over the [2015-16 Budget Act level. When combined with increases of \$1.5 billion in 2014-15 and 2015-16, as well as other one-time savings and adjustments in those years, the 2016-17 Budget provides a \$5.9 billion increased investment in K-14 education. Since 2011-12, Proposition 98 funding for K-12 education has grown by more than \$21.7 billion, representing an increase of more than \$3,600 per student.

The Proposition 98 maintenance factor—an indicator of past reductions made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. The 2016-17 Budget reduces this obligation to \$908 million.

Significant K-12 budget adjustments include the following:

Local Control Funding Formula – An increase of more than \$2.9 billion Proposition 98 General Fund to continue the State's landmark transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will bring the formula to 96 percent of full implementation.

College Readiness Block Grant – An increase of \$200 million one-time Proposition 98 General Fund for grants to school districts and charter schools serving high school students to provide additional services that support access and successful transition to higher education. These funds can be spent over the next three years. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income, or foster youth, with no school district or charter school receiving less than \$75,000. The University of California will work to increase admissions of students who were enrolled in schools in which enrollment of English-learners, low-income students, or foster youth is greater than 75 percent of total enrollment.

Teacher Workforce – A combined increase of \$35 million one-time General Fund (\$10 million non-Proposition 98 and \$25 million Proposition 98) to fund several programs aimed at recruiting additional teachers and streamlining teacher preparation programs.

Charter School Start Up Grants – An increase of \$20 million one-time Proposition 98 General Fund to support operational startup costs for new charter schools in 2016 and 2017, which will help offset the loss of federal funding previously available for this purpose. These funds will be available for distribution after all current federal funding for startup costs has been exhausted.

California Collaborative for Educational Excellence – An increase of \$24 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence to: (1) support statewide professional development training on use of the evaluation rubrics by local educational agencies, and (2) implement a pilot program to inform the Collaborative's long-term efforts related to advising and assisting local

educational agencies in improving pupil outcomes. This funding will build local and state capacity to implement a system of continuous improvement in the eight state priority areas upon which the Local Control Funding Formula is based.

Multi-Tiered Systems of Support – An increase of \$20 million one-time Proposition 98 General Fund to allow local educational agencies to provide services that assist and encourage multi-tiered systems of supports. These services support academic, behavioral, social, and emotional needs and have been successful in improving outcomes for all students. This funding builds upon the \$10 million included in the 2015 Budget Act, which was awarded to the Orange County Office of Education to develop guidance and supportive services for schools statewide in implementing these systems.

Restorative Justice Grants – An increase of \$18 million one-time Proposition 98 General Fund for truancy and dropout prevention grants, consistent with Proposition 47, the Safe Neighborhoods and School Act.

Safe Drinking Water in Schools – An increase of \$9.5 million one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated and economically disadvantaged areas. The program will be developed and administered by the Water Resources Control Board in consultation with the State Department of Education.

K-12 Mandates – An increase of \$1.3 billion one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds, combined with previous years' investments, will substantially reduce outstanding mandate debt owed to schools, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments at the local level. These funds can be used for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.

Future Budget Impacts. The State Budget will be affected by national and State economic conditions and other factors. The District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting a budget after its adoption. The Bonds, however, are not payable from such revenue. The 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 District may need to develop and implement different or additional budgetary adjustments to contend with its projected spending in the future.

Limitation on School District Reserves. 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 approved the Rainy Day Fund, which the electorate did approve. The District is in compliance with the requirement.

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

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

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

The District entered into agreements with several redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 *et seq.*) (generally, “Redevelopment Agencies”), pursuant to which the District has, in the past, received “pass-through” tax increment revenues (the “Redevelopment Revenues”). The District is in receipt of \$164,325, \$789,217 and \$2,575,480 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2014-15, the District is in receipt of \$380,493, \$908,482 and \$2,844,491 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2015-16 and the District has projected receipt of \$260,000, \$577,605 and \$2,700,000 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2016-17.

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

DISTRICT FINANCIAL INFORMATION

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

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the Fiscal Year ending June 30, 2015, which are included as APPENDIX B.

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

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

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the Fiscal Year ending June 30, 2015, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the Coachella Valley Unified School District, 87225 Church Street, Thermal, California 92274, telephone number (760) 399-5137. The audited financial statements for the year ended June 30, 2015, are included in Appendix B hereto.

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

The following table reflects information from the District's audited financial statements for Fiscal Years 2011-12, 2012-13, 2013-14 and 2014-15. As of September 6, 2016, the unaudited financial statements for Fiscal Year 2015-16 are not available.

TABLE 4

**AUDITED FINANCIAL STATEMENTS
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

BALANCE SHEET – GENERAL FUND

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
ASSETS				
Deposits and investments	\$3,420,967	\$398,086	\$5,083,802	\$18,959,658
Receivables ⁽¹⁾	48,709,338	28,056,206	25,420,374	7,435,734
Due from other funds	812,745	997,623	813,370	1,002,361
Prepaid expenditures	0	68,760	0	0
Stores inventories	<u>98,782</u>	<u>52,856</u>	<u>33,948</u>	<u>15,833</u>
Total Assets	\$53,041,832	\$29,573,531	\$31,351,494	\$27,413,586
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$7,319,736	\$3,932,936	\$8,564,270	\$6,911,650
Due to other funds ⁽²⁾	15,743,333	7,644,748	5,497,388	1,295,161
Deferred revenue	<u>389,750</u>	<u>411,841</u>	<u>107,177</u>	<u>216,433</u>
Total Liabilities	\$23,452,819	\$11,989,525	\$14,168,835	\$8,423,244
Fund Balances:				
Nonspendable	\$148,782	\$171,616	\$83,948	\$65,833
Restricted	8,969,465	6,372,762	11,389,331	7,882,523
Assigned	0	0	29,096	0
Unassigned	<u>20,470,766</u>	<u>11,039,628</u>	<u>5,680,284</u>	<u>11,041,986</u>
Total Fund Balance	\$29,589,013	\$17,584,006	\$17,182,659	\$18,990,342
Total Liabilities and Fund Balances	\$53,041,832	\$29,573,531	\$31,351,494	\$27,413,586

⁽¹⁾ Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. In recent years this practice included deferring certain apportionments from one fiscal year to the next. Legislation enacted with respect to Fiscal Years 2011-12 and 2012-13 provided for additional inter-fiscal year deferrals. With the economy improving, the State cut back on the amount of deferrals in Fiscal Year 2012-13.

⁽²⁾ Loans from other funds (Fund 21 and Fund 40) increased in Fiscal Year 2011-12 to offset deferrals from the State. As the State deferrals decreased, the loans in Fiscal Year 2012-13 decreased.

Source: Coachella Valley Unified School District.

Comparative Financial Statements. The following table reflects the District's general fund revenues, expenditures and changes in fund balance for Fiscal Years 2011-12 through 2014-15 and unaudited financial statements for Fiscal Year 2015-16. Excerpts from the District's audited financial statements for Fiscal Year 2014-15 are included as Appendix B hereto. As of September 6, 2016, the unaudited financial statements for Fiscal Year 2015-16 are not available.

TABLE 5

**AUDITED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2011-12 through 2015-16
Coachella Valley Unified School District**

REVENUES	Audited 2011-12 ⁽¹⁾	Audited 2012-13	Audited 2013-14 ⁽¹⁾	Audited 2014-15 ⁽¹⁾
Revenue Limit Sources/LCFF	\$93,767,151	\$95,035,408	\$125,062,428	\$147,945,545
Federal Sources	24,698,638	19,684,093	19,452,335	16,686,041
Other State Sources	38,928,791	39,123,274	23,992,758	23,951,543
Other Local Sources	<u>9,493,935</u>	<u>9,923,365</u>	<u>8,968,952</u>	<u>9,120,565</u>
Total Revenues	\$166,888,515	\$163,766,140	\$177,476,473	\$197,703,694
EXPENDITURES:				
Instruction	\$105,306,256	\$111,601,026	\$113,530,235	\$123,487,052
Instruction-Related Activities:				
Supervision of instruction	3,279,466	3,543,256	3,250,355	4,441,612
Instructional library, media and technology	213,174	228,523	234,203	153,483
School site administration	15,379,719	15,905,865	15,316,033	17,695,177
Pupil Services:				
Home-to-school transportation	8,034,167	9,721,235	8,691,324	10,483,618
Food services	--	--	--	655
All other pupil services	5,980,495	6,648,995	6,938,959	7,463,583
General Administration:				
Data processing	2,056,286	3,111,616	2,294,337	2,754,588
All other general administration	7,363,035	7,449,402	7,525,785	9,221,334
Plant Services	14,853,415	15,454,056	15,767,854	16,238,191
Facility Acquisition and Construction	5,005	38,238	1,480,300	418,875
Ancillary Services	--	--	--	4,000
Capital Outlay	--	--	--	--
Other Outgo	366,915	562,204	1,086,155	1,136,361
Debt Service:				
Principal	102,139	--	--	--
Interest and Other	<u>8,313</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	162,948,385	174,264,416	176,115,540	193,498,529
Excess (Deficiency) of Revenues Over Expenditures	3,940,130	(10,498,276)	1,360,933	4,205,165
Other Financing Sources (Uses):				
Transfers out	(1,737,067)	(1,506,731)	(1,762,280)	(2,397,482)
Other sources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Financing Sources (Uses)	(1,737,067)	(1,506,731)	(1,762,280)	(2,397,482)
NET CHANGE IN FUND BALANCES	2,203,063	(12,005,007)	(401,347)	1,807,683
Fund Balance, Beginning	<u>27,385,950</u>	<u>29,589,013</u>	<u>17,584,006</u>	<u>17,182,659</u>
Fund Balance, Ending	<u>\$29,589,013</u>	<u>\$17,584,006</u>	<u>\$17,182,659</u>	<u>\$18,990,342</u>

⁽¹⁾For a comparison of budgeted and audited actual results for Fiscal Years 2011-12 through 2013-14 and budgeted and projected totals for Fiscal Year 2014-15 in object-oriented format, please see "-- Budget Process --" and "-- General Fund Budget" herein. Increase in Revenues from Fiscal Year 2012-13 to Fiscal Year 2013-14 is a result of implementation of LCFF.

Source: Coachella Valley Unified School District.

Budget Process

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent of schools (as described in AB 1200) within five days of adoption or by July 1, whichever occurs first. A school district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the District to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the District to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The school district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the school district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. The school district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file with the county superintendent no later than September 8. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budgets have been disapproved.

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

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

certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a “negative” certification of an interim financial report pursuant to AB 1200. The District self-certified “qualified,” and the County concurred, for all interim reports from the second interim report in Fiscal Year 2009-10 through the first interim report in Fiscal Year 2013-14, with the exception of the second interim report in Fiscal Year 2010-11. For the second interim report in Fiscal Year 2010-11, the District self-certified “positive,” and the County changed the District’s certification to “qualified.” For all other interim reports, including the second interim for Fiscal Year 2015-16, the District was certified “positive.”

The District has projected positive ending fund balances in Fiscal Years 2015-16 through 2016-17 in its Fiscal Year 2015-16 second interim report based on the State’s current plan to fully implement the LCFF by Fiscal Year 2020-21. Full implementation of the LCFF is expected to occur over a period of several years, during which an annual transition adjustment will be calculated for each district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. For a complete discussion of the LCFF implementation plan, see “DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula” herein. However, in the absence of either the full implementation of the LCFF as currently projected by the State or a reduction of general fund expenditures, there can be no assurances that the District will have positive ending fund balances in future years.

General Fund Budget

The District’s General Fund budgets (audited or budgeted, as applicable) for the Fiscal Years ending June 30, 2014, through June 30, 2017, are set forth below:

TABLE 6

GENERAL FUND BUDGETING
Fiscal Years 2013-14 through 2014-15 Audited Actuals, Fiscal Year 2015-16 Unaudited Actuals and Fiscal Year 2016-17 Adopted Budget
Coachella Valley Unified School District

	2013-14		2014-15		2015-16		2016-17	
	Budget ⁽¹⁾	Audited Actual ⁽²⁾	Budget ⁽¹⁾	Audited Actual ⁽³⁾	Budget	Unaudited Actual ⁽³⁾	Adopted Budget ⁽³⁾	
REVENUES								
LCFF/Revenue Limit Sources ⁽⁴⁾	\$95,225,407	\$125,062,428	\$143,274,529	\$147,945,545	\$176,035,191	\$179,940,406	\$188,110,391	
Federal Sources	22,739,058	19,452,335	18,692,027	16,686,041	26,461,345	19,330,277	22,412,716	
Other State Sources	36,163,022	23,992,758	15,095,224	23,951,543	8,236,614	20,765,365	13,419,082	
Other Local Sources	7,507,402	8,968,952	1,385,964	9,120,565	1,400,000	2,681,988	650,000	
Other Transfers	--	--	6,215,646	--	5,731,859	6,431,972	5,356,072	
TOTAL REVENUES	\$161,634,889	\$177,476,473	\$184,663,390	\$197,703,694	\$217,865,009	\$229,150,009	\$229,948,261	
EXPENDITURES								
Current								
Certificated Salaries	\$75,379,824	\$75,829,169	\$81,161,929	\$81,981,593	\$89,233,729	\$88,627,579	\$97,168,510	
Classified Salaries	25,420,923	25,508,469	28,835,278	31,212,556	32,235,438	38,021,678	38,407,164	
Employee Benefits	44,331,321	46,887,447	48,184,664	50,675,834	53,311,645	52,357,107	58,095,543	
Books & Supplies	12,548,363	7,266,947	13,396,360	9,786,030	13,988,751	8,300,921	14,085,476	
Services & Operating Expenditures	17,860,695	18,624,961	16,107,358	19,244,877	21,597,046	21,408,997	22,615,378	
Capital Outlay	100,994	1,616,245	21,232	268,029	1,623,680	540,423	2,056,763	
Other Outgo	696,942	382,302	600,000	329,610	1,300,000	1,541,266	700,000	
Indirect/Direct Support Costs	(703,796)	--	(732,132)	--	(696,636)	(806,751)	(820,623)	
TOTAL EXPENDITURES	\$175,635,266	\$176,115,540	\$187,574,689	\$193,498,529	\$212,593,653	\$209,852,854	\$232,308,211	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,000,377)	1,360,933	(2,911,299)	4,205,165	5,271,356	19,297,155	(2,359,950)	
OTHER FINANCING SOURCES/(USES)								
Transfers Out	(750,000)	(1,762,280)	(959,169)	(2,397,482)	(1,349,095)	(1,551,817)	(700,528)	
Contributions & Other Sources	0	0	0	0	0	0	0	
TOTAL OTHER FINANCING SOURCES/(USES)	(750,000)	(1,762,280)	(959,169)	(2,397,482)	(1,349,095)	(1,551,817)	(700,528)	
NET INCREASE (DECREASE) IN FUND BALANCE	(14,750,377)	(401,347)	(3,870,468)	1,807,683	3,922,261	17,745,338	(3,060,478)	
Fund Balance - Beginning	15,177,402⁽⁵⁾⁽⁶⁾	17,584,006⁽⁶⁾	12,723,720	17,182,659	18,161,815	18,990,342	28,235,652	
Audit Adjustments	0	0	0	0	0	0	0	
Adjusted Beginning Balance	0	0	12,723,720	17,182,659	18,161,815	18,990,342	28,235,652	
Fund Balance - Ending	\$427,025	\$17,182,659	\$8,853,251	\$18,990,342	\$22,084,076	\$36,735,680	\$25,175,174	

(1) From the Comprehensive Audited Financial Statements of the District for Fiscal Years 2012-13 through 2013-14. For audited results for Fiscal Years 2012-13 through 2013-14 in the revised reporting format, see " - Comparative Financial Statements" herein.

(2) For Fiscal Year 2013-14, on behalf payments of \$3,945,698 are included in the audited actual revenues and expenditures, but have not been included in the budgeted amounts.

(3) From the District's Fiscal Year 2014-15 Annual Financial Report, approved by the Board on January 12, 2016. Since the impact of the LCFF on the District's State revenue sources was unknown at the time of preparation of the District's 2013-14 Adopted Budget, the 2013-14 Audited Budget reflects expected State revenue limit funding prior to the implementation of the LCFF as the nearest available approximation of expected funding. Projected Totals for Fiscal Year 2013-14 assume full LCFF funding. See " - Current State Education Funding - Local Control Funding Formula" herein.

(4) Beginning with the First Interim Report for Fiscal Year 2013-14, this category of funds is coded as "LCFF/Revenue Limit Sources."

(5) The beginning fund balance for Fiscal Year 2013-14 is different from the audited ending fund balance for Fiscal Year 2012-13 due to an audit adjustment made after the close of Fiscal Year 2012-13.

(6) Reflects actual Fiscal Year 2013-14 ending fund balance, as shown in the District's Fiscal Year 2013-14 Audited Actuals.

Source: Coachella Valley Unified School District.

State Funding of Education

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.

Until implementation of the Local Control Funding Formula, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Revenue limit calculations were 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. See "THE DISTRICT – Allocation of State Funding to School Districts; Restructuring the K-12 Funding System – Average Daily Attendance" and the table in that section titled, "Average Daily Attendance, Revenue Limit and Enrollment Fiscal Years 2007-08 to 2016-17," above.

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

Prior State Funding of Education

Previously, school districts operated under general purpose revenue limits established by the State Department of Education. Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in unit of ADA. The base revenue limit was calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts are known as "basic aid districts." School districts that receive some equalization aid are commonly referred to as "revenue limit districts." Beginning in Fiscal Year 2013-14, school districts are funded based on a new local control funding formula. See "— Current State Education Funding" below.

Current State Education Funding

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. **Bond proceeds from voter approved bond measures, such as the measure approved by District voters at the election held on June 7, 2005, and the *ad valorem* taxes levied to pay them are separately accounted for from District operating revenues.**

The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts

may also be eligible for special categorical and grant funding from State and federal government programs.

As indicated above, as part of the State Budget for Fiscal Year 2013-14 (the “2013-14 State Budget”), 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 or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. See “ – Prior State Funding of Education” above. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district student demographics. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in Fiscal Year 2013-14, an annual transition adjustment is to be calculated for each individual school district, equal to such district’s proportionate share of appropriations included in the State Budget. The Governor’s Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21. See “EFFECT OF STATE BUDGET ON REVENUES – 2016-17 Proposed State Budget” herein for a further discussion of the LCFF.

The 2016-17 Proposed Budget notes the following major components of LCFF:

- A base grant for each local education agency per unit of ADA, including an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3 and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for English learners (“EL”), students from low-income families, and youth in foster care, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an “unduplicated count.”
- An additional concentration grant of up to 22.5% of a local educational agency’s base grant, based on the number of English learners, students from low-income families, and youth in foster care served by the local educational agency that comprise more than 55% of enrollment. The District’s eligible student percent for supplemental grants is 92% and is projected to reach the 55% threshold for concentration grants.
- An Economic Recovery Target to ensure that almost every local educational agency receives at least their pre-recession funding level, adjusted for inflating, at full implementation of the LCFF.

The 2016-17 Budget provides a fourth-year investment of approximately \$2.9 billion in the LCFF, building upon approximately \$12.8 billion provided over the last three years. In total, this level of funding exceeds the original 2013 projection of LCFF funding provided through Fiscal Year 2016-17 by almost \$6 billion. The proposed funding level is enough to eliminate approximately 50% of the remaining funding gap to full implementation, bringing total LCFF implementation to 96%.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive

a free or reduced price meal, foster youth, or any combination of these factors (“unduplicated” count) is shown below:

TABLE 7

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA 2015-16**

<u>Grade Levels</u>	<u>2015-16 Grant or ADA</u>	<u>Grade Span Adjustments</u>	<u>Supplemental Grant⁽¹⁾</u>	<u>Concentration Grant⁽²⁾</u>	<u>Total per ADA</u>
TK-3	\$7,083	\$737	\$1,564	\$3,910	\$13,294
4-6	7,189	—	1,438	3,595	12,222
7-8	7,403	—	1,481	3,702	12,586
9-12	8,578	223	1,760	4,901	15,462

⁽²⁾ Based on the District’s percent of eligible students of 92.00%.

⁽³⁾ Based on the District’s percent of eligible students of 96.04%.

Source: California Department of Education; District.

Beginning July 1, 2014, school districts were required to develop a three-year Local Control and Accountability Plan (each, a “LCAP”). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office’s local plan. For charter schools, the charter authorizer is required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

LCFF and the District. The District’s Fiscal Year 2014-15 actual budget reflected increased revenues of approximately \$20.1 million under LCFF, the District’s Fiscal Year 2015-16 revised budget reflected increased revenues of approximately \$27.7 million under LCFF and the District’s Fiscal Year 2016-17 revised budget reflects increased revenues of approximately \$11.0 million under LCFF. Base funds received may be spent on a District-wide basis. The District must also identify specific services and expenditures for the targeted students in Fiscal Year 2016-17. Based on current data, the District would need to provide a 21.6% for services to those targeted students. The District is aware of certain risks associated with the LCFF, including future State budget challenges in the event of an economic recession and the impact of Proposition 30 revenues after the temporary sales and income taxes expire at the end of 2016 and 2018, respectively. See “EFFECT OF STATE BUDGET ON REVENUES” herein.

Actual funding in Fiscal Year 2013-14 and subsequent years is based on the difference between the District’s funding floor and its LCFF target (the LCFF gap). For Fiscal Year 2015-16, the District estimate it will receive approximately \$149,841,361 in its funding floor amount, plus a portion of its LCFF gap, which was equivalent to approximately \$25,222,798. Total Fiscal Year 2015-16 revenues,

including federal, other local and other revenues was estimated to be approximately \$229,150,009. As part of the 2015-16 State Budget, the Department of Finance revised its projections and increased the gap funding provided to 51.97% in Fiscal Year 2015-16. The 2016-17 Budget utilizes funding to implement the LCFF and provides \$2.9 billion in new funding, bringing the Local Control Funding Formula's implementation to 96% complete. Each Fiscal Year thereafter, the District's funding amount will be based on recalculation of its LCFF target and its funding floor including any prior year transition funding converted to a per-ADA value and then adjusted for current year ADA. As LCFF continues to be implemented, the District's base and supplemental grant funding will increase in an effort to bring the District's total funding to its overall LCFF target. This increased funding will provide additional resources for the District to invest in academic, programmatic and operational purposes, while providing a more positive fiscal outlook. The District does not qualify for concentration grant funding.

The following table sets forth the District's actual, funded and projected ADA for Fiscal Years 2013-14 through 2016-17, the District's projected target LCFF funding amounts at full implementation (which represents a combined total of base grant, K-3 class size reduction and grades 9-12 adjustments, supplemental grant funding, each calculated by grade span), projected annual LCFF allocation and gap funding for Fiscal Years 2013-14 through 2018-19. Funded ADA is the greater of current or prior years' ADA. Note the data assumes an unduplicated count of EL, FRPM and foster youth of 92% of enrollment for each of the projected fiscal years, based on current unduplicated counts which are projected to remain stable.

TABLE 8

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
LOCAL CONTROL FUNDING FORMULA PROJECTIONS
Fiscal Years 2013-14 through 2018-19 ⁽¹⁾**

Fiscal Year	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
ADA	17,942.84	18,272.18	18,241.62	17,987.41	17,987.41	17,987.41
COLA	1.57%	0.85%	1.02%	0.08%	1.11%	2.42%
Total LCFF Target in Millions	192.8	201.5	203.0	199.9	201.9	206.7
Total LCFF Revenue in Millions	125.9	150.0	177.7	188.8	198.3	201.7

(1) Final, preliminary and projected figures for Fiscal Years 2013-14 through 2017-18. For purposes of calculating supplemental and concentration grants, a school district's Fiscal Year 2013-14 percentage of unduplicated EL, FRPM, and foster youth students is expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL, FRPM, and foster youth enrollment was based on the two-year average of EL, FRPM, and foster youth enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL, FRPM and foster youth students will be based on a rolling average of such school district's EL, FRPM, and foster youth enrollment for the then-current Fiscal Year and the two immediately preceding Fiscal Years. This table assumes 92% of District enrollment is comprised of unduplicated EL, FRPM, and foster youth students for each of the Fiscal Years listed, based on October 2, 2013, certified CALPADS. ADA as of the second principal reporting period (P-2 ADA).

Source: *The District.*

Revenue Sources

The District generally categorizes its general fund revenues into four sources: (1) LCFF sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.

LCFF Sources. Since Fiscal Year 1973-74 through Fiscal Year 2012-13, State school districts operated under general purpose revenue limits established by the State Legislature. In general, the base revenue limits were calculated for each school district by multiplying (1) the ADA for each such district by (2) a base revenue limit per unit of ADA. The base revenue limit calculations were adjusted annually

in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. The base revenue limit was then adjusted by the State deficit factor. In Fiscal Year 2013-14, the State implemented a new funding system, referred to as "Local Control Funding Formula." See "EFFECT OF STATE BUDGET ON REVENUES – *Information Regarding State Education Spending – 2016-17 Proposed State Budget*" and "DISTRICT FINANCIAL INFORMATION – Current State Education Funding" above.

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.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments amount to the difference between the District's revenue limit and its local property tax revenues.

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 12% of general fund revenues in 2013-14, 8% of general fund revenues in 2014-15, 10% of general fund revenues in 2015-16 and are budgeted to equal approximately 10% of such revenues in 2016-17.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues ("Other State Revenues").

Some of the Other State Revenues are restricted to specific types of program uses, such as special education. These Other State Revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation, instructional materials and mentor teachers. Other State Revenues, including State Lottery Revenue, comprised approximately 10% of general fund revenues in 2014-15, [update: ___/8% of general fund revenues in 2015-16 and are budgeted to equal approximately []% of such revenues in 2016-17.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues comprised a nominal amount (less than 2%) of general fund revenues in 2014-15 and 2015-16 and are budgeted to equal approximately the same amount of such revenues in 2016-17.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources. Other local revenues comprised approximately 0.8% of general fund revenues in 2013-14, 0.4% of general fund revenues in 2014-15, 1.1% of general fund revenues in 2015-16 and are budgeted to equal approximately 0.2% of general fund revenues in 2016-17.

Other Funding Sources

Other Sources. The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs and programs under the Educational Consolidation and Improvement Act. In addition, a small part of a school district’s budget is from local sources other than property taxes, including but not limited to interest income, leases and rentals, educational foundations, donations and sales of property.

Developer Fees. The following table shows a ten-year history of developer fees collected on residential and commercial development within the District and the amount budgeted for Fiscal Year 2016-17.

**TABLE 9
DEVELOPER FEE COLLECTIONS
Fiscal Years 2006-07 through 2014-15
Coachella Valley Unified School District**

<u>Fiscal Year</u>	<u>Total Collections</u>
2006-07	\$6,251,286
2007-08	3,352,576
2008-09	1,285,349
2009-10	650,392
2010-11	857,928
2011-12	946,150
2012-13	1,087,023
2013-14	1,741,074
2014-15 ⁽¹⁾	1,943,331
2015-16 ⁽²⁾	2,120,771
2016-17 ⁽³⁾	1,033,000

⁽¹⁾ Actuals.

⁽²⁾ Estimated.

⁽³⁾ Budgeted.

Source: Coachella Valley Unified School District.

Redevelopment Revenue. As indicated above in “EFFECT OF STATE BUDGET ON REVENUES – *Litigation Regarding State Budgetary Provisions; Redevelopment Litigation,*” the District entered into agreements with several redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 *et seq.*) (generally, “Redevelopment Agencies”), pursuant to which the District has, in the past, received “pass-through” tax increment revenues (the “Redevelopment Revenues”). The District is in receipt of \$380,493, \$908,482 and \$2,844,491 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2015-16 and the District has projected receipt of \$260,000, \$577,605 and \$2,700,000 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2016-17.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies. See "EFFECT OF STATE BUDGET ON REVENUES – 2016-17 Proposed State Budget – *Litigation Regarding State Budgetary Provisions; Redevelopment Litigation*," "DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A" and "– Proposition 22" herein. Further, the District can make no representations about the potential impact of litigation regarding such legislation. The Bonds, however, are not payable from such revenue. The Bonds are payable solely from the proceeds of an *ad valorem* tax required to be levied by the Counties in an amount sufficient for the payment thereof. See "INTRODUCTION – Sources of Payment for the Bonds" and "THE BONDS – Security" herein.

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

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are

insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

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

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

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

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt.

Long-Term Debt. For information regarding overlapping bonded debt, see “TAX BASE FOR REPAYMENT OF BONDS – Direct and Overlapping Bonded Debt” and Note 8 in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.”

Certificates of Participation. On April 12, 2006, the District executed and delivered its Certificates of Participation (2006 School Financing Project) in an aggregate principal amount of \$14,485,000 (the “2006 Certificates”), the net proceeds of which were used to finance the acquisition of real property of a school site and provide funds for the construction, reconstruction modernization, rehabilitation and improvement of existing school facilities of the District. On July 5, 2011, the District entered into the 2011 Refunding Lease, the proceeds of which were used to currently refund the District’s outstanding 2006 Certificates. No 2006 Certificates remain outstanding. See “ – Capital Leases” herein.

On January 9, 2007, the District executed and delivered its 2006B Certificates of Participation (School Facilities Project) in an aggregate principal amount of \$23,500,000 (the “2006B Certificates”), the proceeds of which were used to finance the construction, reconstruction, expansion, modernization, and improvement of existing school facilities. On September 16, 2014, the District refunded the 2006B Certificates with its 2014 Refunding Certificates of Participation (the “2014 Refunding Certificates”). The following table summarizes the future annual lease payment requirements of the District with respect to the 2014 Refunding Certificates. The IRS initiated an audit with respect to the 2006B Certificates. In December, 2014, the District received a “Notification of No Change Determination” from the IRS stating that the IRS had completed and closed its examination.

TABLE 10

**2014 REFUNDING CERTIFICATES ANNUAL PAYMENTS
Coachella Valley Unified School District**

<u>Period Ending September 1</u>	<u>Annual Lease Payments</u>
2017	\$985,100.00
2018	1,288,300.00
2019	1,490,400.00
2020	1,547,250.00
2021	1,580,050.00
2022	1,643,050.00
2023	1,701,050.00
2024	1,708,450.00
2025	1,399,050.00
2026	1,413,300.00
2027	1,550,050.00
2028	1,628,050.00
2029	1,645,775.00
2030	1,686,575.00
2031	2,813,075.00
2032	2,554,200.00
2033	2,614,200.00
2034	664,400.00
2035	683,800.00
2036	<u>2,771,600.00</u>
Total	\$30,596,125.00

Source: Coachella Valley Unified School District.

Lease Refinancing. On July 5, 2011, the District entered into a lease agreement with Banc of America Public Capital Corporation in the aggregate principal amount of \$12,830,000 (the “2011 Refunding Lease”), the proceeds of which were used to currently refund the District’s outstanding 2006 Certificates. The following table summarizes future payment requirements of the District with respect to the 2011 Refunding Lease:

TABLE 11

**2011 REFUNDING LEASE ANNUAL PAYMENTS
Coachella Valley Unified School District**

Year Ending <u>June 30</u>	Annual Lease <u>Payments</u>
2017	\$1,048,125
2018-22	5,241,500
2023-26	<u>8,485,250</u>
Total	<u>\$14,774,875</u>

Source: Coachella Valley Unified School District.

On September 6, 2013, the District entered into a lease agreement with Public Property Financing Corporation of California in the aggregate principal amount of \$9,475,000, the proceeds of which were used (i) to currently refund its then outstanding 2003 Certificates of Participation (School Financing Project) issued in April 2003 (the "April 2003 Certificates"), in an aggregate principal amount of \$15,500,000, the net proceeds of which were used to finance the construction and renovation of school facilities and advance refund certain of the District's 1991 Certificates of Participation and (ii) its then outstanding 2003 Certificates of Participation (East Coachella School Facilities Project) issued in November 2003 (the "November 2003 Certificates"), in an aggregate principal amount of \$3,500,000, the net proceeds of which were used to finance the construction of school facilities. On September 6, 2013, the District entered into the 2013 Refunding Lease (as defined herein), the proceeds of which were used to currently refund the outstanding April 2003 Certificates and November 2003 Certificates.

The following table summarizes the future payment requirements of the District with respect to the 2013 Refunding Lease:

TABLE 12

**2013 REFUNDING LEASE ANNUAL PAYMENTS
Coachella Valley Unified School District**

<u>Year Ending September 1</u>	<u>Annual Lease Payments</u>
2017	\$770,842.50
2018	1,184,697.00
2019	708,760.00
2020	594,235.00
2021	640,540.00
2022	703,940.00
2023	749,331.25
2024	752,855.00
2025	750,445.00
2026	752,101.25
2027	752,720.00
2028	747,405.00
2029	751,052.50
2030	748,558.75
2031	749,923.75
2032	<u>745,147.50</u>
Total	<u>\$12,102,554.50</u>

Source: Coachella Valley Unified School District.

Capital Leases. The District leases various equipment items under lease agreements (the “Capital Leases”) that provide for title to pass to the District upon execution of a bargain purchase option. Future minimum lease payments with respect to these Capital Leases as of June 30, 2015 are shown in Note 8 in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.”

General Obligation Bonds. The District received authorization at an election held on March 4, 1997, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$20,000,000 maximum principal amount of general obligation bonds of the District (the “1997 Authorization”). On August 19, 1997, the District issued its General Obligation Bonds, 1997 Election, Series A (Bank Qualified) in the aggregate principal amount of \$10,000,000 (the “1997 Series A Bonds”). On September 2, 1998, the District issued its General Obligation Bonds, 1997 Election, Series B in the aggregate principal amount of \$9,999,277.95 (the “1997 Series B Bonds”). On May 26, 2010, the District issued its 2010 General Obligation Refunding Bonds in the aggregate principal amount of \$6,560,000, the proceeds of which were used to currently refund a portion of the then-outstanding 1997 Series A Bonds (the “2010 Refunding Bonds”). There are currently no 1997 Series A Bonds outstanding. \$722.05 of the 1997 Authorization remains unissued.

The District received authorization at an election held on June 7, 2005, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$250,000,000 maximum principal amount of general obligation bonds of the District (the “2005 Authorization”). On September 7, 2005, the District issued its 2005 Series A Bonds in the aggregate principal amount of \$49,998,180. On February 22, 2007, the District issued its General Obligation Bonds, 2005 Election, Series B in the aggregate principal amount of \$30,000,000 (the “2005 Series B Bonds”). On May 26, 2010, the District issued its General Obligation Bonds, 2005 Election, Series C in the aggregate principal amount of \$24,990,463 (the “2005 Series C Bonds”). On July 12, 2012, the District issued its General Obligation Bonds, 2005 Election, Series D in the aggregate principal amount of \$54,999,882 (the “2005 Series D Bonds”). On February 13, 2014, the District issued its 2014 General Obligation Refunding Bonds, in the aggregate principal amount of \$38,145,000 (the “2014 Refunding Bonds”), to redeem most of the then-outstanding 2005 Series A Bonds. On August 7, 2014, the District issued its General Obligation Refunding Bonds, Series B (the “2014 Series B Refunding Bonds”) in the aggregate principal amount of \$17,455,000 to advance refund a portion of the District’s outstanding 2005 Series A Bonds and a portion of the District’s outstanding 2005 Series B Bonds. On September 15, 2015, the District issued its 2015 General Obligation Refunding Bonds in the aggregate principal amount of \$11,550,000 to advance refund the outstanding portion of the District’s outstanding 2005 Series B Bonds. On June 2, 2016, the District issued its General Obligation Bonds, 2005 Election, Series 2016-E in the aggregate principal amount of \$39,680,000 (the “2005 Series 2016-E Bonds”). The Bonds are the sixth series of bonds issued pursuant to the 2005 Authorization, leaving only a de minimus amount of the 2005 Authorization authorized but unissued.

The District received authorization at an election held on November 6, 2012, by at least 55% of the votes cast by eligible voters within the District, to authorize the issuance of \$41,000,000 maximum principal amount of general obligation bonds of the District (the “2012 Authorization”). On May 9, 2013, the District issued its General Obligation Bonds, 2012 Election, Series A (Federally Taxable) in the aggregate principal amount of \$20,255,000 (the “2012 Series A Bonds”). On September 15, 2015, the District issued its General Obligation Bonds, 2012 Election, Series B (Federally Taxable) in the aggregate amount of \$5,865,000. \$14,880,000 of the 2012 Authorization remains authorized but unissued.

See Table 1 in “Debt Service Schedule” for the annual debt service requirements of the District for all of its outstanding general obligation bonds (assuming no optional redemptions) prior to issuance of the Bonds.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which had been approved on or after July 1, 1978, by two-thirds or more of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition as provided by Proposition 39. The tax for payment of the Bonds was approved by more than two-thirds of the eligible voters voting on the proposition and was approved without utilization of the exception for bonds approved by a 55% vote.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

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

Legislation Implementing Article XIII A

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

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

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

All taxable property is shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Inflationary Adjustment of Assessed Valuation

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

Taxation of State-Assessed Utility Property

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

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to

local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as aid under the State's school financing formula.

Article XIII B of the California Constitution

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

In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIII B were modified by Proposition 111 in 1990 (see " - Proposition 111" below).

Proposition 98

As discussed above in " - THE DISTRICT - Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System - 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 State Legislature (the "Legislature") to suspend this formula for a one-year period. See APPENDIX A - "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET - THE DISTRICT - Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System," " - EFFECT OF STATE BUDGET ON REVENUES" and " - DISTRICT FINANCIAL INFORMATION" above.

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article

XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the then current cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.
- d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State General Fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State General Fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts will receive the greater of (1) the first test, (2) the second test, or (3) a third test (defined below), which will replace the second test in any year when growth in per capita State General Fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor (the "third test"). If the third test is used in any year, the difference between the third test and the second test will become a "credit" to school districts which will be paid in future years when State General Fund revenue growth exceeds personal income growth.

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

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

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

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

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds.

The interpretation and application of Proposition 218 and the United States Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "Proposition 39") to the California Constitution. Upon passage of Proposition 39, implementing legislation entitled "Strict Accountability in Local School Construction Bonds Act of 2000" (the "Strict Accountability in Local School Construction Bonds Act") became operative. Proposition 39 (1) allows school facilities' bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments of Proposition 39 may be changed only with another state-wide vote of the people. The statutory provisions of the Strict Accountability in Local School Construction Bonds Act, as amended, may be changed by a majority vote of both houses of the Legislature and approved by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition and implementing legislation are K-12 school districts, including the District, community college districts and county offices of education. As noted above, the California Constitution previously limited property

taxes to 1% of the value of property. Prior to Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Jarvis v. Connell

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A ("Proposition 1A"), which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must

repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

See “ – EFFECT OF STATE BUDGET ON REVENUES” above.

Proposition 62; Statutory Limitations

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

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

Proposition 22

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act (“Proposition 22”), approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State’s authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State’s general fund and transportation funds, the State’s main funding source for schools and community colleges, as well as universities, prisons and health and social services programs.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and

adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Proposition 30

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

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

Statutory Lien for General Obligation Bonds

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