

\$121,000,000*
CORONA-NORCO UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2014 General Obligation Bonds, Series B

INTRODUCTION

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

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

The District

The Corona-Norco Unified School District (the "District") consists of approximately 148 square miles in the northwest portion of Riverside County, California (the "County") and provides K-12 educational services to the residents of Corona, Norco, Eastvale and Jurupa Valley and adjacent unincorporated areas of the County. The District was established as a unified school district in 1948. The District operates 30 elementary schools, eight intermediate schools, three K-8 schools, five high schools, one middle college high school, three alternative schools and one adult education school. The District has budgeted for a fiscal year 2017-18 average daily attendance ("ADA") of 51,175 students, and the District has a fiscal year 2017-18 assessed valuation of \$34,215,244,248.

The District is governed by a five-member Board of Education (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 two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Michael H. Lin, Ed.D. is currently serving as the Superintendent of the District. See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "CORONA-NORCO UNIFIED SCHOOL DISTRICT" herein for more information regarding the District generally.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of the District sites and facilities, and (ii) pay the costs of issuing the Bonds. See also "THE BONDS - Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

* Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to resolutions adopted by the District Board and the County Board (as defined herein). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County (the "County Board") is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

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

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

Redemption*. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 20__, or on any date thereafter, as a whole or in part. The Term Bonds are subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each February 1 and August 1 of each year (each, a "Bond Payment Date"), commencing August 1, 2018. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

* Preliminary, subject to change.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about ____, 2018.*

Bond Owner's Risks

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

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. The specific nature of the information to be made available and of the notices of listed events is summarized below under "LEGAL MATTERS – Continuing Disclosure" and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule").

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Piper Jaffray & Co., El Segundo, California is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Profession Corporation and Piper Jaffray & Co. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed upon for the Underwriter by _____, _____.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and

* Preliminary, subject to change.

Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860, telephone: (951) 736-5000. The District may impose a charge for copying, mailing and handling.

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

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

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The County, including its officials, officers, employees and representatives, shall have no responsibility with respect to any information in this Official Statement, except for information concerning the Treasurer's Pooled Investment Fund provided by the County Treasurer-Tax Collector. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolutions.

THE BONDS

Authority for Issuance

The Bonds are issued by the County on behalf of the District pursuant to the provisions of Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (the "Act"), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board on January 23, 2018 (the "District Resolution") and a resolution adopted by the County Board on February 27, 2018 (the "County Resolution," and together with the District Resolution, the "Resolutions").

The District received authorization at an election held on November 4, 2014 by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue \$396,000,000 aggregate principal amount of general obligation bonds (the "Authorization"). On July 8, 2015, the District issued its Election of 2014 General Obligation Bonds, Series A in an aggregate principal amount of \$99,995,000 (the "2014 Series A Bonds"). The Bonds are the second series of bonds issued under the Authorization, and following the issuance thereof, \$175,005,000* of the Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolutions, which fund is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the District Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, will be transferred by the County to the Paying Agent.

* Preliminary, subject to change.

The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above 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 education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien. Pursuant to State Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 2016 and payable, both principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See "—Book-Entry Only System" herein. Beneficial Owners will not receive certificates representing their interest in the Bonds. The Bonds will be dated as of the Date of Delivery.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each Bond Payment Date, commencing August 1, 2018. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond

Payment Date, or unless it is authenticated on or before July 15, 2018, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

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Annual Debt Service

The following table shows the annual debt service requirements of the District for Bonds (assuming no optional redemptions).

<u>Year Ending August 1</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Debt Service</u>
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Total

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2018.

See also "CORONA-NORCO UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a full debt service schedule for all of the District's bonded debt.

Application and Investment of Bond Proceeds

The proceeds of the sale from the Bonds, net of costs of issuance and any premium on the sale thereof, will be deposited by the County to the credit of the fund created by the Resolutions and known as the "Corona-Norco Unified School District, Election of 2014 General Obligation Bonds, Series B Building Fund" (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein.

The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, are required to be held separate and apart by the County in a fund created by the Resolution and known as the "Corona-Norco Unified School District, Election of 2014 General Obligation Bonds, Series B Debt Service Fund" (the "Debt Service Fund"), and used only for payment of principal of and interest on Bonds. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E – TREASURER'S POOLED INVESTMENT FUND" herein.

Redemption

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

Mandatory Sinking Fund Redemption * The Bonds maturing on August 1, 20__ (the "Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount of Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as shown in the following table:

Redemption Date (August 1)	Principal Amount
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(1) Maturity.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed by the District, and if not directed, in inverse order of

* Preliminary, subject to change.

maturity. Within a maturity, the Paying Agent, shall select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

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

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

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

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

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

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

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

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in "—Defeasance," and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

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

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange

Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference.

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

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

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

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

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

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

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by either (i) check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date, or (ii) by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

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

None of the District, the County nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date, or any day on which the applicable notice of redemption is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased, in whole or in part, prior to maturity in the following ways:

- (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with any amounts transferred from the Debt Service Fund, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity dates or applicable redemption dates;

- (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations 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 any moneys transferred from the Debt Service Fund, be fully sufficient to pay and discharge all the Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premium, if any) at or before their maturity dates or applicable redemption dates;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of 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 Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto and the obligations of the County with respect to the Rebate Fund.

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Original Issue Premium
Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Costs of Issuance⁽¹⁾
Total Uses

⁽¹⁾ Reflects all costs of issuance, including but not limited to the underwriting discount, credit rating fees, printing costs, legal and financial advisory fees, and the costs and fees of the Paying Agent. See also "MISCELLANEOUS - Underwriting" herein.

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

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

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

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

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

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

Assessed Valuations

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

Property within the District has a total assessed valuation for fiscal year 2017-18 of \$34,215,244,248. The following table shows the 13-year history of assessed valuations in the District.

ASSESSED VALUATION
Fiscal Year 2005-06 through 2017-18
Corona-Norco Unified School District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2005-06	\$19,326,913,385	\$8,018,838	\$1,089,529,057	\$20,424,461,280
2006-07	24,292,727,058	10,097,307	1,169,253,189	25,472,077,554
2007-08	28,253,444,127	5,829,451	1,321,798,662	29,581,072,240
2008-09	28,052,045,194	5,829,451	1,451,766,019	29,509,640,664
2009-10	24,985,967,696	5,829,451	1,378,815,229	26,370,612,376
2010-11	24,778,827,795	5,829,451	1,318,729,825	26,103,387,071
2011-12	24,912,194,194	5,829,451	1,309,517,610	26,227,541,255
2012-13	25,074,881,056	3,083,672	1,221,647,785	26,299,612,513
2013-14	26,175,204,713	3,083,672	1,172,388,030	27,350,676,415
2014-15	28,436,690,125	3,083,672	1,145,316,958	29,585,090,755
2015-16	29,843,939,854	3,083,672	1,128,436,787	30,975,460,313
2016-17	31,366,408,580	3,083,672	1,164,175,316	32,533,667,568
2017-18	33,062,641,755	3,083,672	1,149,518,821	34,215,244,248

Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the California State Board of Equalization ("SBE"), with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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 application is made and during which the written application was filed. 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.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII A of the California Constitution" herein.

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2017-18 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2017-18
Corona-Norco Unified School District⁽¹⁾

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation % of Jurisdiction of Jurisdiction	in School District
City of Corona	\$18,812,937,436	54.98%	\$19,942,716,330	94.33%
City of Eastvale	7,721,405,497	22.57	\$9,056,989,328	85.25%
City of Jurupa Valley	468,639,651	1.37	\$9,098,569,504	5.15%
City of Norco	3,149,560,983	9.21	\$3,149,761,476	99.99%
City of Riverside	424,057	0.00	\$28,358,236,647	0.00%
Unincorporated Riverside County	4,062,276,624	11.87	\$40,177,339,165	10.11%
Total District	\$34,215,244,248	100.00%		
Total Riverside County	\$34,215,244,248	100.00%	\$263,669,553,595	12.98%

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2017-18 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

PER PARCEL ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2017-18
Corona-Norco Unified School District

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	59,369	\$22,992,573,812	\$387,282	\$389,223

2017-18 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	678	1.142%	1.142%	\$24,840,952	0.108%	0.108%
50,000 - 99,999	1,681	2.831	3.973	124,497,680	0.541	0.650
100,000 - 149,999	1,660	2.796	6.770	211,758,425	0.921	1.570
150,000 - 199,999	2,984	5.026	11.796	529,930,763	2.305	3.875
200,000 - 249,999	4,925	8.296	20.091	1,117,086,629	4.858	8.734
250,000 - 299,999	5,758	9.699	29.790	1,582,938,225	6.885	15.618
300,000 - 349,999	6,018	10.137	39.927	1,959,789,432	8.524	24.142
350,000 - 399,999	7,683	12.941	52.868	2,882,976,283	12.539	36.681
400,000 - 449,999	7,774	13.094	65.962	3,299,419,788	14.350	51.031
450,000 - 499,999	7,071	11.910	77.872	3,352,874,189	14.582	65.613
500,000 - 549,999	5,605	9.441	87.313	2,934,393,747	12.762	78.375
550,000 - 599,999	3,460	5.828	93.141	1,979,731,414	8.610	86.986
600,000 - 649,999	1,740	2.931	96.072	1,081,541,649	4.704	91.690
650,000 - 699,999	836	1.408	97.480	561,632,008	2.443	94.132
700,000 - 749,999	449	0.756	98.236	324,470,326	1.411	95.543
750,000 - 799,999	273	0.460	98.696	211,311,542	0.919	96.462
800,000 - 849,999	195	0.328	99.025	160,427,629	0.698	97.160
850,000 - 899,999	124	0.209	99.234	108,429,176	0.472	97.632
900,000 - 949,999	87	0.147	99.380	80,227,808	0.349	97.981
950,000 - 999,999	73	0.123	99.503	71,043,055	0.309	98.290
1,000,000 and greater	295	0.497	100.000	393,253,092	1.710	100.000
Total	59,369	100.000%		\$22,992,573,812	100.000%	

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

Assessed Valuation and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2017-18.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2017-18

Corona-Norco Unified School District

	2017-18 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$182,530,125	0.55%	297	0.37%
Commercial/Industrial	6,058,331,309	18.32	2,945	3.68
Vacant Commercial/Industrial	337,291,078	1.02	939	1.17
Government/Social/Institutional	1,919,365	0.01	224	0.28
Vacant Other/Unclassified Vacant	73,463,386	0.22	2,017	2.52
Miscellaneous	14,986,352	0.05	31	0.04
Subtotal Non-Residential	\$6,668,521,615	20.17%	6,453	8.07%
<u>Residential:</u>				
Single Family Residence	\$22,992,573,812	69.54%	59,369	74.23%
Condominium/Townhouse	1,793,624,444	5.42	6,622	8.28
Mobile Home	137,863,201	0.42	2,111	2.64
2+ Residential Units	1,297,035,125	3.92	1,087	1.36
Timeshare	754,309	0.00	1,576	1.97
Vacant Residential	172,269,249	0.52	2,761	3.45
Subtotal Residential	\$26,394,120,140	79.83%	73,526	91.93%
Total	\$33,062,641,755	100.00%	79,979	100.00%

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

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The County levies and collects all property taxes for property falling within the County's taxing boundaries. The annual secured tax levies and delinquencies for the District for fiscal years 2010-11 through 2016-17 are shown below.

SECURED TAX CHARGES AND DELINQUENCIES

Fiscal Years 2010-11 through 2016-17

Corona-Norco Unified School District

	Secured Tax Charge⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2010-11	\$11,040,097.47	\$297,424.60	2.69%
2011-12	16,227,981.42	268,344.57	1.65
2012-13	16,181,225.82	220,165.83	1.36
2013-14	17,702,133.10	188,735.57	1.07
2014-15	18,225,409.49	149,219.93	0.82
2015-16	25,268,249.40	205,774.66	0.81
2016-17	29,162,801.54	225,905.11	0.77

⁽¹⁾ Reflects taxes collected by the County within the District for the repayment of the District's general obligation bonds.

Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the period from fiscal years 2013-14 through 2017-18.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 4-003)⁽¹⁾

Fiscal Years 2013-14 through 2017-18

Corona-Norco Unified School District

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
General Tax Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Corona-Norco Unified School District	.06844	.06473	.08540	.09416	.08313
Riverside City Community College District	.01768	.01791	.01725	.01649	.01616
Metropolitan Water District	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.08962%	1.08614%	1.10615%	1.11415%	1.10279%

⁽¹⁾The fiscal year 2017-18 assessed valuation of TRA 4-003 is \$3,588,643,813.

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County funds the District its full secured property tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments when the late taxes are collected. The County includes the District's 1% general purpose secured property tax levy and the *ad valorem* property tax levy for the District's general obligation bonds, under 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 County.

Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2017-18 secured assessed valuations.

20 LARGEST LOCAL SECURED TAXPAYERS

Fiscal Year 2017-18

Corona-Norco Unified School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Castle & Cooke Corona Crossings	Commercial	\$180,770,280	0.55%
2.	Kaiser Foundation Health Plan Inc.	Medical Buildings	162,588,492 ⁽²⁾	0.49
3.	Waterstone Apartments NF	Apartments	111,287,432	0.34
4.	Corona North Main Development	Commercial	110,324,496	0.33
5.	SCG Atlas Ashton	Apartments	100,433,265	0.30
6.	Artisan Corona Apartments	Apartments	94,248,000	0.29
7.	JSP Palisades	Apartments	89,000,000	0.27
8.	Price REIT Inc.	Commercial	85,751,071	0.26
9.	TTC ROC III Promenade	Apartments	80,112,583	0.24
10.	Arantine Hills Holdings LP	Residential Development	76,937,824	0.23
11.	JSP Sierra Del Oro 1	Apartments	75,874,725	0.23
12.	Encanto Apartment Homes	Apartments	72,318,431	0.22
13.	Dart Container Corp. of California	Industrial	70,931,106	0.21
14.	Lennar Homes of California Inc.	Residential Development	68,828,211	0.21
15.	Rexco Magnolia	Office Building	60,636,521	0.18
16.	Bristol Youcare	Industrial	56,937,052	0.17
17.	UHS Corona Inc.	Office Building	53,251,917	0.16
18.	Dos Lagos CRN	Office Building	51,630,551	0.16
19.	MGP X Vernola	Commercial	49,587,451	0.15
20.	KSL Corona	Hotel	47,111,580	0.14
			<u>\$1,698,560,988</u>	<u>5.14%</u>

⁽¹⁾ The fiscal year 2017-18 local secured assessed valuation of the District is \$33,062,641,755.

⁽²⁾ Net taxable value.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of March 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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

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

2017-18 Assessed Valuation: \$34,215,244,248

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/18</u>
Metropolitan Water District	1.247%	\$934,065
Riverside City Community College District	34.635	88,792,134
Corona-Norco Unified School District	100.000	314,351,926⁽¹⁾⁽²⁾
Corona-Norco Unified School District Community Facilities Districts	100.000	148,235,855
City of Riverside	0.001	103
City of Corona Community Facilities Districts	100.000	67,060,000
City of Corona 1915 Act Bonds	100.000	2,220,000
City of Norco Community Facilities Districts	100.000	33,507,131
Jurupa Community Services District Community Facilities Districts	100.000	317,600,000
Other Community Facilities Districts	100.000	65,624,803
Riverside County Community Facilities Districts	100.000	14,245,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,052,571,017

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	12.977%	\$106,547,271
Riverside County Pension Obligation Bonds	12.977	37,183,647
Corona-Norco Unified School District General Fund Obligations	100.000	32,744,356
City of Corona General Fund Obligations	94.335	38,286,292
City of Riverside General Fund and Pension Obligation Bonds	0.001	3,099
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$214,764,665
Less: Riverside County supported obligations		533,880
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$214,230,785

OVERLAPPING TAX INCREMENT DEBT: \$180,531,937

GROSS COMBINED TOTAL DEBT	\$1,447,867,619 ⁽³⁾
NET COMBINED TOTAL DEBT	\$1,447,333,739

- (1) Excludes issue to be sold.
 (2) Excludes accreted interest of capital appreciation bonds.
 (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$314,351,926)	0.92%
Total Direct and Overlapping Tax and Assessment Debt	3.08%
Combined Direct Debt (\$347,096,282)	1.01%
Gross Combined Total Debt	4.23%
Net Combined Total Debt	4.23%

Ratios to Redevelopment Incremental Valuation (\$5,723,403,309):

Total Overlapping Tax Increment Debt	3.15%
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- (1) Excludes issue to be sold.
 (2) Excludes accreted interest of capital appreciation bonds.
 (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
 Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

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

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

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

Legislation Implementing Article XIII A

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to claims, if any, on tax increment 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 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 value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Article XIII B of the California Constitution

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

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

- (b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the

governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIC and Article XIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property shall be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property shall retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the

"Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculate by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Propositions 98 and 111

On November 8, 1988, voters of the State 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 the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter

the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

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

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

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

1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 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. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on 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. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Jarvis vs. Connell

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

Propositions 30 and 55

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 increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing 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 \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds for the new

construction and modernization of K-14 facilities. The District makes no representation that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51:

PROPOSITION 51
Use of Bond Funds
(In Millions)

<u>K-12 Public School Facilities</u>	
New Construction	\$3,000
Modernization	3,000
Career Technical Education Facilities	500
Charter School Facilities	<u>500</u>
Subtotal	\$7,000
 <u>Community College Facilities</u>	
	<u>\$2,000</u>
Total	\$9,000

The District makes no guarantees that it will either pursue or qualify for Proposition 51 state facilitates funding.

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) \$7,820 for grades K-3; (ii) \$7,189 for grades 4-6; (iii) \$7,403 for grades 7-8; and (iv) \$8,801 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein for information on the adjusted Base Grants provided by current budgetary legislation.

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

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

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2012-13 through 2017-18.

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ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2017-18
Corona-Norco Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment⁽²⁾	% of EL/LI Enrollment⁽³⁾
2012-13	15,109.96	11,460.05	8,069.02	16,600.85	51,239.88	53,437	46.20%
2013-14	15,088.72	11,748.03	8,096.01	16,854.94	51,787.70	53,782	45.63
2014-15	15,039.87	11,852.38	7,971.32	17,003.23	51,866.80	53,739	47.73
2015-16	14,762.33	11,819.86	8,005.98	16,825.33	51,413.50	53,254	47.67
2016-17	14,652.55	11,895.51	8,108.21	16,608.14	51,264.41	53,178	46.36
2017-18 ⁽⁴⁾	14,675.73	11,681.86	8,047.07	16,770.14	51,174.80	53,250	46.36

(1) Reflects P-2 ADA.

(2) For fiscal year 2012-13, reflects CBEDS enrollment. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. CALPADS figures generally exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is 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) Reflects projected ADA.

Source: Corona-Norco Unified School District.

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

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

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary

determinants. The District does not currently qualify as basic aid.

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

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

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

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

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other Revenue Sources

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

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, Developer Fees (as discussed herein), Redevelopment Revenues (as discussed herein) and other local sources.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees levied on residential and commercial development pursuant to Education Code Section 17620. Developer fee revenue is required by statute to be expended on the construction or reconstruction of school facilities necessary to accommodate growth in student enrollment caused by development. The table below summarizes the revenues received by the District from developer fees since fiscal year 2011-12.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2010-11 through 2017-18
Corona-Norco Unified School District

<u>Fiscal Year</u>	<u>Total Collections</u>
2010-11	\$1,045,261
2011-12	3,209,048
2012-13	1,118,763
2013-14	2,789,741
2014-15	4,450,219
2015-16	1,207,724
2016-17	3,206,549
2017-18 ⁽¹⁾	3,500,000

⁽¹⁾ Projected.

Source: Corona-Norco Unified School District.

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Redevelopment Revenues. The District has previously received pass-through tax increment revenue (the “Redevelopment Revenues”) from certain redevelopment agencies (the “Redevelopment Agencies”) located in the City of Corona, City of Eastvale, City of Jurupa Valley and unincorporated areas of the County. The Redevelopment Revenues received by the District are deposited into the District’s Capital Facilities Fund. The table below shows Redevelopment Revenues received for the past six fiscal years and a budgeted amount for fiscal year 2017-18.

REDEVELOPMENT REVENUES
Fiscal Years 2011-12 through 2017-18
Corona-Norco Unified School District

Fiscal Year	Redevelopment Revenues Collected
2011-12	\$3,582,582
2012-13	24,320,844 ⁽¹⁾
2013-14	9,393,936
2014-15	3,621,208
2015-16	3,505,602
2016-17 ⁽²⁾	0
2017-18 ⁽²⁾	0

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

⁽²⁾ The Redevelopment Revenues for fiscal years 2016-17 and 2017-18 in the amounts of \$4,691,051 and \$3,000,000, respectively, were deposited into the General Fund for these years.

Source: Corona-Norco Unified School District.

The District 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 legislation eliminating redevelopment agencies. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. The Bonds, however, are not payable from such revenue. The Bonds, without further action on the part of the District or the Owners or Beneficial Owners of the Bonds, will be payable solely from the proceeds of an *ad valorem* property tax required to be levied by the County in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012.

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, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, 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 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 State apportionments may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

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 Education Code Section 41010, is to be followed by all California school districts.

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

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

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2017, and prior fiscal years are on file with the District and available for public inspection at the Deputy Superintendent, Business Services of the District, Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860-1903. The audited financial statements for the year ended June 30, 2017, are included in APPENDIX B hereto.

The table below reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2012-13 to fiscal year 2016-17.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES⁽¹⁾
Fiscal Years 2012-13 through 2016-17
Corona-Norco Unified School District

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
REVENUES					
LCFF/Revenue limit sources ⁽²⁾	\$271,867,085	\$325,288,190	\$362,704,481	\$412,322,540	\$431,395,137
Federal sources	19,808,656	22,229,802	20,462,358	22,546,093	21,797,710
Other state sources	87,718,836	65,064,417	59,809,531	99,311,217	85,287,599
Other local sources	<u>2,945,399</u>	<u>5,703,756</u>	<u>3,744,448</u>	<u>2,819,330</u>	<u>7,333,766</u>
Total Revenues	382,339,976	418,286,165	446,720,818	536,999,180	545,814,212
EXPENDITURES					
Current					
Instruction	259,399,143	276,093,865	295,634,738	333,723,584	361,569,697
Instruction-Related Activities:					
Supervision of instruction	11,509,087	12,714,967	14,451,345	17,407,423	19,397,328
Instructional library, media and technology	1,835,843	2,203,345	2,338,521	2,578,102	2,664,707
School site administration	28,532,606	29,362,656	34,722,582	38,425,613	40,150,361
Pupil Services:					
Home-to-school transportation	8,709,923	9,036,645	10,827,082	11,974,216	12,651,210
Food Services	81,076	--	--	14,993	17,206
All other pupil services	22,267,820	24,546,372	27,978,621	33,638,463	37,485,306
Administration:					
Data processing	3,481,170	4,255,640	5,956,465	5,400,553	5,171,494
All other administration	12,517,302	13,729,895	14,430,212	13,738,945	18,407,950
Plant services	35,037,298	36,798,832	40,635,531	49,610,430	52,465,113
Facility acquisition and construction	49,808	576,187	97,457	212,026	1,509,117
Ancillary services	1,903,496	2,749,710	2,869,837	3,542,873	3,660,931
Other Outgo	281,088	120,068	47,125	589,082	267,326
Enterprise Services	2,448	1,761	--	--	--
Debt Service					
Principal	27,097	143,269	125,054	152,262	568,090
Interest and other	<u>2,201</u>	<u>5,984</u>	<u>14,568</u>	<u>9,141</u>	<u>40,216</u>
Total Expenditures	385,637,406	412,339,196	450,129,138	511,017,706	556,026,052
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,297,430)	5,946,969	(3,408,320)	25,981,474	(10,211,840)
Other Financing Sources (Uses)					
Transfers in	--	--	--	200,000	--
Other sources - capital lease	--	449,563	97,457	--	9,676,028
Transfers out	<u>(85,129)</u>	<u>(171,869)</u>	<u>(677,310)</u>	<u>(504,994)</u>	<u>(371,367)</u>
Net Financing Sources (Uses)	(85,129)	277,694	(579,853)	(304,994)	9,304,661
NET CHANGE IN FUND BALANCE	(3,382,559)	6,224,663	(3,988,173)	25,676,480	(907,179)
Fund Balance - Beginning	<u>56,766,763</u>	<u>53,384,204</u>	<u>59,608,867</u>	<u>55,620,694</u>	<u>81,297,174</u>
Fund Balances - Ending	\$53,384,204	\$59,608,867	\$55,620,694	\$81,297,174	\$80,389,995

⁽¹⁾ From the District's comprehensive audited financial statements for fiscal years 2012-13 through 2016-17, respectively. In addition to the District's unrestricted and restricted general fund activity, includes the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

⁽²⁾ Prior to fiscal year 2013-14, reflects revenue limit sources. Beginning in fiscal year 2013-14, reflects LCFF sources. See "State Funding of Education" herein.

Source: Corona-Norco Unified School District.

Pending Investigations

In August, 2017, the District was informed by the Riverside County Sheriff's Department (the "County Sheriff") that it had initiated an investigation of allegations made by District employees regarding the possible misappropriation of District facility funds by a now former District employee (the "Former Employee"). The County Sheriff's investigation is ongoing, and the District has no information regarding their findings or the expected completion date of the investigation.

In addition to the County Sheriff's investigation, the District requested that the Riverside County Office of Education conduct an independent audit of the District's facilities department and all funds which had been under the supervision and control of the Former Employee. Such audit is ongoing, and the District has no information regarding their findings or the expected completion date of their audit.

The Former Employee was placed on administrative leave immediately after the District learned of the County Sheriff's investigation, and several days thereafter the Former Employee resigned from employment with the District.

The District does not have information regarding the amounts of funds which may have diverted by the Former Employee or whether such funds included proceeds of prior general obligation bond issues. Management of the former facilities department is now the responsibility of the Assistant Superintendent of Business Services.

Because *ad valorem* property taxes are deposited by the County directly into the District's Debt Service Fund, the District believes that none of the funds which are the subject of the described investigations were monies which would have been available to pay debt service on the Bonds. The Bonds are payable solely from the proceeds of *ad valorem* property upon all property within the District subject to taxation, see "THE BONDS- Security and Sources of Payment" herein.

Budget Process

State Budgeting Requirements. The District is required by provisions of the 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. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

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

Within the past five years, the District submitted, and the County superintendent of schools accepted, "qualified" designations on its first and second interim financial reports for fiscal year 2011-12. Since fiscal year 2011-12, the District has submitted, and the County superintendent of schools has accepted, "positive" certifications on each of its interim financial reports.

General Fund Budgeting Trends. The table on the following page sets forth the District's general fund adopted budgets for fiscal years 2013-14 through 2017-18, ending results for fiscal years 2013-14 through 2016-17, and projected results for fiscal year 2017-18.

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GENERAL FUND BUDGETING⁽¹⁾
Fiscal Years 2013-14 through 2016-17
Corona-Norco Unified School District

	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2013-14		2014-15		2015-16		2016-17	2017-18
	<u>Budget⁽²⁾</u>	<u>Actual⁽²⁾</u>	<u>Budget⁽²⁾</u>	<u>Actual⁽²⁾</u>	<u>Budget⁽²⁾</u>	<u>Actual⁽²⁾</u>	<u>Budget⁽²⁾</u>	<u>Budgeted⁽³⁾⁽⁴⁾</u>
REVENUES								
LCFF/Revenue Limit Sources ⁽⁵⁾	\$273,160,834	\$325,288,190	\$324,076,732	\$362,704,481	\$410,718,102	\$412,322,540	\$430,469,001	\$439,146,067
Federal Sources	22,381,582	22,229,802	24,127,837	20,462,358	20,274,916	22,546,093	20,442,167	20,643,470
Other State Sources	85,321,712	65,064,417	54,996,471	59,809,531	73,590,140	99,311,217	78,170,493	76,266,724
Other Local Sources	1,974,154	5,703,756	5,236,599	3,744,448	1,446,066	2,819,330	1,899,066	4,701,066
Total Revenues	382,838,282	418,286,165	408,437,639	446,720,818	506,029,224	536,999,180	530,980,727	540,757,327
EXPENDITURES:								
Current								
Certificated Salaries	214,167,122	226,810,479	230,078,988	247,048,166	264,694,919	274,218,234	276,779,987	279,772,584
Classified Salaries	49,417,760	50,895,551	53,638,660	62,182,166	67,843,067	70,140,744	71,470,488	73,397,516
Employee Benefits	57,037,923	72,852,905	62,193,262	77,857,293	71,581,602	91,068,501	105,176,359	117,684,242
Books & Supplies	23,327,689	16,110,025	26,880,496	14,748,568	19,293,067	16,890,201	24,059,096	23,368,525
Services and Operating Expenditures	38,152,992	44,694,437	45,335,594	48,130,614	54,157,843	58,123,297	56,921,428	56,709,490
Capital Outlay	195,483	1,369,947	816,933	630,853	198,296	555,833	426,550	1,312,763
Other Outgo	(387,078)	(543,401)	(650,678)	(608,144)	(654,899)	(140,507)	278,877	(496,341)
Debt Service - Principal	--	143,269	144,450	125,054	148,515	152,262	148,515	568,090
Debt Service - Interest	--	5,984	5,938	14,568	--	9,141	--	--
Total Expenditures	381,911,891	412,339,196	418,443,643	450,129,138	477,262,410	511,017,706	535,261,300	553,391,733
Excess (Deficiency) of Revenues Over/(Under) Expenditures	926,391	5,946,969	(10,006,004)	(3,408,320)	28,766,81	25,981,474	(4,280,573)	112,634,406
Other Financing Sources (Uses)								
Transfers In	--	--	2,439,254	--	--	200,000	--	--
Other Sources - Capital Lease	--	449,563	--	97,457	--	--	--	--
Transfers Out	(87,655)	(171,869)	(116,330)	(677,310)	(477,997)	(504,994)	(261,304)	(414,728)
Net Financing Sources (Uses)	(87,655)	277,694	2,322,924	(579,853)	(477,997)	(304,994)	(261,304)	(414,728)
NET CHANGE IN FUND BALANCE	838,736	6,224,663	(7,683,080)	(3,988,173)	28,288,817	25,676,480	(4,541,877)	(13,049,134)
Fund Balance - Beginning	53,384,204	53,384,204	59,608,867	59,608,867	55,620,694	55,620,694	81,297,174	66,277,093
Fund Balance - Ending	\$54,222,940	\$59,608,867	\$51,925,787	\$55,620,694	\$83,909,511	\$81,297,174	\$76,755,297	\$53,227,959

⁽¹⁾ In addition to the District's unrestricted and restricted general fund activity, includes the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by Governmental Accounting Standards Board ("GASB") Statement No. 54.

⁽²⁾ From the District's comprehensive audited financial statements for fiscal years 2013-14 through 2016-17, respectively. On behalf payments of \$11,421,169, \$12,339,862, \$16,437,844 and \$20,364,234 are included in the actual revenues and expenditures for fiscal year 2013-14, 2014-15, 2015-16 and 2016-17, respectively, but have not been included in the budgeted amounts for such years.

⁽³⁾ From the District's Adopted Budget for fiscal year 2017-18, approved by the Board on June 13, 2017.

⁽⁴⁾ Sum may not total due to rounding.

⁽⁵⁾ In fiscal year 2013-14, reflects LCFF sources. See "State Funding of Education" herein.

Source: Corona-Norco Unified School District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

2017-18 Budget. On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18 (the "2017-18 Budget"). The following information is drawn from the LAO's preliminary review of the 2017-18 Budget.

For fiscal year 2016-17, the 2017-18 Budget projects total general fund revenues and transfers of \$118.5 billion and total expenditures of \$121.4 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.4 billion, including \$642 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the 2017-18 Budget projects total general fund revenues of \$125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorizes expenditures of \$125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.9 billion, including \$1.4 billion in the traditional general fund reserve and \$8.5 billion in the BSA.

With respect to education funding, the 2017-18 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2015-16 and 2016-17, as a result of lower-than-estimated general fund revenue collections. The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.7 billion, a decrease of \$379 million from the prior year. However, total Proposition 98 funding exceeded the minimum guarantee by \$53 million as a result of various adjustments related to the LCFF and community college apportionments. The 2017-18 Budget revises the minimum funding guarantee for fiscal year 2016-17 at \$71.3 billion, reflecting a decrease of \$558 million from the prior year. Total spending, however, exceeded the minimum funding guarantee by approximately \$29 million, as a result of a \$514 million "settle up" payment related to an obligation created by understating the minimum guarantee in a prior year.

For fiscal year 2017-18, the 2017-18 Budget sets the minimum funding guarantee at \$74.5 billion, reflecting an increase of \$3.1 billion (or 4.4%) from the revised prior-year level. Fiscal year 2017-18 is projected to be a "Test 2" year, with the change in the minimum funding guarantee attributable to a 3.7% increase in per capita personal income and a projected 0.05% decline in K-12 attendance. With respect to K-12 education, the 2017-18 Budget sets Proposition 98 funding at \$64.7 billion, including \$45.7 billion from the State general fund, reflecting an increase of \$2.7 billion (or 4.3%) from the prior year. Per-pupil spending increases 4.3% to \$10,863.

Other significant features with respect to K-12 education funding include the following:

- **Local Control Funding Formula** – approximately \$1.4 billion in Proposition 98 funding to continue the implementation of the LCFF. Total LCFF funding for school districts and charter schools is set at \$57.4 billion, a 2.7% increase from the prior year. The 2017-18 Budget projects that this funding will bring LCFF implementation to approximately 97%. As a result, the adjusted 2017-18 Base Grants are as follows: (i) \$7,941 for grades K-3, (ii) \$7,301 for grades 4-6, (iii) \$7,518 for grades 7-8, and (iv) \$8,939 for grades 9-12. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein

- *Discretionary Funding* – An increase of \$877 million in one-time Proposition 98 funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.
- *Maintenance Factor; Settle Up Payment* – The 2017-18 Budget provides for an additional maintenance factor payment of \$536 million, after which the State's outstanding obligation would be approximately \$900 million. The 2017-18 Budget also provides \$603 million to fund a settle-up payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee. This reduces the State's total settle up obligation to approximately \$440 million.
- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The 2017-18 Budget provides \$200 million as the final installment of funding for this program. The 2017-18 Budget also provides the California Department of Education with \$15.4 million in on-going Proposition 98 funding to support efforts linking secondary and postsecondary CTE.
- *K-12 Educational Mandates* – \$3.5 million to fund a 1.56% COLA to the block grant program for State mandated K-12 educational programs and activities. The 2017-18 Budget establishes a statutory COLA for these programs moving forward. The 2017-18 also provides \$61 million to fund a 1.56% COLA to several other categorical programs.
- *Teacher Workforce Initiative* – The 2018-17 Budget funds a variety of teacher recruitment and training programs, including (i) \$25 million in one-time Proposition 98 funding for grants to assist classified school employees secure bachelor's degrees and teaching credentials; (ii) \$11 million in federal Title II funds to establish a program to help local educational agencies attract and support teachers, principals and other school leaders; and (iii) \$5 million in one-time Proposition 98 funding for a new program that would encourage teachers to obtain bilingual credentials and teach in bilingual settings.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The 2017-18 Budget allocates \$423 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.
- *After School Safety and Education Safety Program* – an increase of \$50 million in Proposition 98 funding (for a total of \$600 million) to increase per-child reimbursement rates for providers of local after school education and enrichment programs.
- *Proposition 56* – Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by \$2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine products. The 2017-18 Budget allocates \$32 million of Proposition 56 revenues to support these programs.
- *Charter School Facility Grant Program* – Under this program, the State provides certain charter schools with grants to defray the cost of renting and leasing school facilities. The

2017-18 Budget increases the per-student funding rate to \$1,117 and provides an ongoing COLA for the program moving forward.

- *Equity and Improvement Program* - \$2.5 million in one-time Proposition 98 funding for two or more county offices of education to assist local educational agencies in closing achievement gaps in public schools.
- *Proposition 51* – a total allocation of \$593 million in Proposition 51 bond funds for K-12 school facility projects.
- *Refugee Students* - \$10 million in one-time Proposition 98 funding for the State Department of Social Services to provide grants to school districts that serve notable numbers of refugee students.

For additional information regarding the 2017-18 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2018-19 Budget. On January 10, 2018, the Governor released his proposed State budget for fiscal year 2018-19 (the "Proposed Budget"). The following information is drawn from the Department of Finance's summary of the Proposed Budget and the LAO's overview of the Proposed Budget.

The Governor indicates that despite the Proposed Budget projecting a one-time surplus, the State will continue to face uncertain times. While the Proposed Budget assumes continued expansion of the State economy, the Governor states that the State's primary short-term fiscal goal should continue to be fully funding the BSA to prepare for a future recession. Accordingly, the Proposed Budget includes a \$3.5 billion supplemental deposit to the BSA, in addition to the \$1.5 billion mandatory deposit.

The Proposed Budget projects, for fiscal year 2017-18, total general fund revenues and transfers of \$127.3 billion and total expenditures of \$126.5 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$12.6 billion, including \$4.2 billion in the traditional general fund reserve and \$8.4 billion in the BSA. For fiscal year 2018-19, the Proposed Budget projects total general fund revenues of \$129.8 billion and authorizes expenditures of \$131.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.7 billion, including \$2.3 billion in the traditional general fund reserve and \$13.5 billion in the BSA. The Governor estimates that the projected ending balance of \$13.5 billion in the BSA at the end of the 2018-19 fiscal year is equal to the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

The Proposed Budget contains a total of \$6.3 billion in new Proposition 98 spending proposals for K-12 education, community colleges, and preschool, of which \$3.9 billion are ongoing and \$2.4 billion are for one-time activities. For fiscal year 2017-18, the Proposed Budget revises the minimum funding guarantee at \$75.2 billion, reflecting an increase of \$687 million from the level set by the 2017-18 Budget. For fiscal year 2018-19, the Proposed Budget sets the minimum funding guarantee at \$78.3 billion, reflecting a year-to-year increase of \$3.1 billion. Fiscal year 2018-19 is projected to be a "Test 3" year, with the change in the minimum funding guarantee attributable to a 4.1% increase in per capita general fund revenue. With respect to K-12 education, ongoing Proposition 98 per-pupil expenditures in fiscal year 2018-19 are set at \$11,628, an increase of \$463 (or 4.1%) over the revised level for fiscal year 2017-18.

Significant proposals with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$2.9 billion in Proposition 98 funding to full implement the LCFF, as well as provide a 2.51% COLA to the adjusted Base Grants for the prior fiscal year.
- *One-Time Discretionary Funding* – An increase of \$1.8 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.
- *Career Technical Education (CTE)* – An increase of \$212 million in Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education.
- *Categorical Programs* – An increase of \$133.5 million in Proposition 98 funding to support a 2.51% COLA for categorical programs that remain outside of the LCFF.
- *Special Education* – An increase of \$125 million in Proposition 98 funding and \$42.2 million federal Temporary Assistance for Needy Families funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5 year olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs. The Proposed Budget also provides an increase of \$10 million in Proposition 98 funding for special education local plan areas to support county offices of education in providing technical assistance to local educational agencies through the state system of support. Total funding is offset by a decrease of \$10.2 million in Proposition 98 funding to reflect a projected decrease in special education average daily attendance.
- *State System of Support* – An increase of \$59.2 million in Proposition 98 funding for county offices of education to provide technical assistance to local educational agencies.
- *California Collaborative for Educational Excellence* – An increase of \$6.5 million in Proposition 98 funding for the California Collaborative for Educational Excellence to help build capacity within county offices of education to provide technical assistance.
- *County Offices of Education* – An increase of \$6.2 million in Proposition 98 funding for county offices of education to reflect a 2.51% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.
- *Local Property Tax Adjustments* – Total revised Proposition 98 funding for school districts and county offices of education reflects a decrease of \$514 million in fiscal year 2017-18 and \$1.1 billion in fiscal year 2018-19 as a result of increased offsetting property taxes.
- *ADA Adjustments* – Total revised funding for school districts reflects a decrease of \$183.1 million in fiscal year 2017-18 and \$135.5 million in fiscal year 2018-19 as a result of projected declines in average daily attendance.

For additional information regarding the Proposed Budget, see the State Department of Finance website at www.dof.ca.gov. The information presented on such website is not incorporated herein by reference.

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

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

Introduction

The District consists of approximately 148 square miles in the northwest portion of the County and provides K-12 educational services to the residents of Corona, Norco, Eastvale and Jurupa Valley and adjacent unincorporated areas of the County. The District was established as a unified school district in 1948. The District operates 30 elementary schools, eight middle schools, three K-8 schools, five high schools, one middle college high school, and three alternative schools. The District has budgeted for a fiscal year 2017-18 ADA of 51,175 students, and the District has a fiscal year 2017-18 assessed valuation of \$34,215,244,248.

Administration

The District is governed by the five-member 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 two and three available positions. Current members of the Board, together with their offices and the date their term expires, are listed below:

CORONA-NORCO UNIFIED SCHOOL DISTRICT

Board of Education

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
John Zickefoose	President	November 2018
Mary Helen Ybarra	Vice President	November 2020
Dr. Jose Lalas	Clerk	November 2020
Bill Newberry	Member	November 2018
Bill Pollock	Member	November 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Michael H. Lin, Ed.D. is the Superintendent of the District. Brief biographies of the Superintendent and other key administrative officials follow:

Michael H. Lin, Ed.D., Superintendent. Dr. Lin was appointed Superintendent of the District effective July 1, 2012, and, immediately prior thereto, he served as the District's Assistant Superintendent, Human Resources from July 1, 2008 through June 30, 2012. Dr. Lin has also held the positions of teacher, coach, student activities director, assistant principal and director/administrative director of human resources. Dr. Lin has a B.S. in aerospace engineering from California Polytechnic State University, an M.S. in Educational Administration from California State University, Fullerton and a Doctorate in Institutional Management from Pepperdine University.

Samuel Buenrostro, Ed.D., Deputy Superintendent, Instructional Support. Dr. Buenrostro is the current Deputy Superintendent for the Instructional Support Department. Prior to that, he was the Assistant Superintendent in Human Resources following his promotion from Administrative Director in that department. Dr. Buenrostro has also held the positions of high school principal, assistant principal, teacher, and head coach. He obtained his Bachelors from Chapman University, his Masters from California State University, San Bernardino, and his Doctorate in Organizational Leadership from the University of LaVerne.

Alan P. Giles, Assistant Superintendent, Business Services. Mr. Giles was appointed Assistant Superintendent, Business Services of the District effective July 1, 2016. Immediately prior thereto, he served as Assistant Superintendent, Business Services for the Hesperia Unified School District from February 1, 2013 through June 30, 2016. Mr. Giles has also held the positions of teacher, coach, assistant principal, principal, and director of human resources. Mr. Giles has a B.A. from San Diego State University and an M.A. in Educational Administration from Chapman University.

Labor Relations

The District currently employs approximately 2,402 full-time certificated employees and 1,540 classified employees. In addition, the District employs 665 part-time faculty and staff. These employees, except management and some part-time employees, are represented by two bargaining units as noted in the following table:

CORONA-NORCO UNIFIED SCHOOL DISTRICT Labor Relations

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Corona-Norco Teachers Association	2,486	June 30, 2018
California Service Employees Association (CSEA)	2,145	June 30, 2018

Source: Corona-Norco Unified School District.

Direct Retirement Programs

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit

Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

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

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were \$17,584,500 in fiscal year 2012-13, \$19,033,620 in fiscal year 2013-14, \$22,082,986 in fiscal year 2014-15, \$29,149,366 in fiscal year 2015-16 and \$35,054,501 in fiscal year 2016-17. The District has budgeted \$40,637,330 for its contribution to STRS for fiscal year 2017-18.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries in fiscal year 2017-18, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$7,970,135 in fiscal year 2012-13, \$8,707,016 in fiscal year 2013-14, \$6,625,269 in fiscal year 2014-15, \$7,670,503 in fiscal year 2015-16 and \$9,180,227 in fiscal year 2016-17. The District has budgeted \$9,950,818 for its contribution to PERS for fiscal year 2017-18.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2015-16

STRS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)⁽²⁾	Unfunded Liability (MVA)⁽²⁾	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728

PERS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

⁽³⁾ Reflects actuarial value of assets.

⁽⁴⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2016 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015-16 to cover interest on the unfunded actuarial obligation, the 2016 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio

decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 STRS Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been \$105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and will go into effect July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

Based on the Schools Pool Actuarial Valuation as of June 30, 2016 (the "2016 PERS Actuarial Valuation"), the three-year phased in reduction of the discount rate is currently projected to result in an employer contribution rate of 17.7% for fiscal year 2018-19, and annual increases thereafter, resulting in a projected 25.1% employer contribution rate by fiscal year 2024-25. Such projections contained in the 2016 PERS Actuarial Valuation assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projected period. The 2016 PERS Actuarial Valuation continues to use the Entry Age Normal Actuarial Cost Method, a 3.0% annual payroll growth (compounded annually) and a 2.75% inflation rate (compounded annually).

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

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

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

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing

employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

For more information, see "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 15" attached hereto.

Other Post Employment Benefits

Benefit Plan. The District provides health benefits (the "Benefits") to eligible retirees and their spouses based on agreements entered into with the Corona-Norco Teachers Association ("CNTA") and the local California Service Employees Association ("CSEA"). Under the postemployment Benefits plan (the "Plan"), the District provides postemployment Benefits, up to \$6,150 annually for certificated retirees and \$6,500 annually for classified retirees, who retire from the District with at least 10 years of service, on or after age 50 (if hired prior to July 1, 2007) or age 55 (if hired on or after July 1, 2007). Currently, there are 222 retirees and beneficiaries receiving the Benefits, and 3,888 eligible active employees.

Funding Policy. The contribution requirements of the District and the Plan members are established and may be amended by the District, CNTA and CSEA. The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund the Benefits as determined annually by the Board. For fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017, the District recognized \$1,281,657, \$1,360,235 and \$2,041,335 of expenditures for the Benefits, respectively. For fiscal year ending June 30, 2018, the District has budgeted \$1,808,750 of such expenditures for the Benefits.

The District has established an internal service fund to begin funding its UAAL (as defined herein) with respect to the Benefits. As of June 30, 2017, the District had \$4,949,510 on deposit in the internal service fund. This fund has not been irrevocably pledged to the payment of the Benefits, and may be accessed for other purposes upon Board decision.

Accrued Liability. The District has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the Benefits under the Plan. The most recent of these studies, dated May 13, 2016 (the "Actuarial Report"), determined that, as of an April 1, 2016 valuation date, the unfunded actuarial accrued liability (the "UAAL") with respect to the Benefits was \$44,162,051. The Actuarial Study also concluded that the annual required contribution (the "ARC") was \$5,098,356. The ARC is the amount that would be necessary to fund the value of future Benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the UAAL, in accordance with GASB Statements Nos. 43 and 45.

As of June 30, 2017, the District recognized a net balance sheet liability (the "Net OPEB Obligation") of \$15,714,327 with respect to its accrued liability for the Post-Employment Benefits. The Net OPEB Obligation is based on the District's contributions towards the ARC during fiscal year 2015-16, plus interest on the prior year's Net OPEB Obligation and minus any adjustments to reflect the amortization thereof. See "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

Supplemental Early Retirement Plan

The District adopted a supplemental retirement plan (the "SERP") whereby certain eligible certificated non-management and certificated/classified management employees are provided an annuity to supplement the retirement benefits they are entitled to through their respective retirement systems. The annuities are to be paid over a five-year period, with the last payment in fiscal year 2017-18. The annuities were purchased for 139 employees who retired during fiscal year 2009-10, 139 employees who retired in fiscal year 2010-11, 172 employees who retired in fiscal year 2015-16 and 1 employee who retired in fiscal year 2016-17.

As of June 30, 2017, the balance of the obligation associated with the SERP, with respect to the employees who retired in fiscal years 2009-10 and 2010-11 was \$1,323,209, as shown in the following table.

Year Ending	Annual
<u>June 30,</u>	<u>Payment⁽¹⁾</u>
2018	<u>1,323,209</u>
Total	<u>\$1,323,209</u>

⁽¹⁾ Reflects payments in connection with the retirees who retired in fiscal years 2009-10 and 2010-11.
Source: Corona-Norco Unified School District.

The future SERP payment requirements with respect to the employees who retired in fiscal years 2015-16 and 2016-17 are as shown in the following table.

Year Ending	Annual
<u>June 30,</u>	<u>Payment</u>
2018	1,974,655
2019	1,974,655
2020	1,974,655
2021	<u>1,974,655</u>
Total	<u>\$7,898,620</u>

Source: Corona-Norco Unified School District.

Public Entity Risk Pools

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ended June 30, 2017, the District was a member of Southern California Regional Liability Excess Fund ("SCR") for property and liability coverage and Self-Insured Schools of California ("SISC") and Voluntary Employee Beneficiary Association ("VEBA") for employee health benefits coverage. The District also purchased excess liability insurance for liability and property coverage from Safety National Insurance, a commercial carrier. During the fiscal year ended June 30, 2017, the District made payments of \$1,397,979.00, \$13,493,660.58, and \$25,773,913.90 to SCR, SISC and VEBA, respectively for such coverage. See also "APPENDIX B - 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 17" attached hereto.

District Debt Structure

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

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2017, is shown below:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
General Obligation Bonds	\$404,346,636	\$108,998,972	\$86,195,000	\$427,150,608
Premium on issuance	25,289,940	11,707,631	2,418,714	34,578,857
2011 Refunding COPs, Series A	25,595,000	--	1,205,000	24,390,000
Premium on issuance	657,127	--	49,286	607,841
Corona-Norco Unified School District Public Financing Authority Bonds ⁽¹⁾	66,360,000	--	2,520,000	63,840,000
Capital leases	207,279	9,676,028	597,931	9,285,376
Property and liability	--	1,726,481	687,973	1,038,508
Claims liability	15,516,000	3,585,677	2,230,677	16,871,000
Supplemental Early Retirement Plan	2,646,418	9,873,277	3,297,864	9,221,831
Other Postemployment Benefits	12,741,376	5,014,286	2,041,335	15,714,327
Accumulated vacation – net	<u>7,825,105</u>	<u>--</u>	<u>3,293,005</u>	<u>4,532,099</u>
Totals	\$561,184,881	\$150,582,352	\$104,536,785	\$607,230,448

⁽¹⁾ Does not include debt issued by the PFA (as defined herein) after June 30, 2015. Debt service on the PFA Bonds is paid from the proceeds of special taxes levied against taxable real property within the respective CFDs (as defined herein). See “- Public Financing Authority Bonds” and “TAX BASE FOR REPAYMENT OF BONDS – Statement of Direct and Overlapping Debt” herein.

Source: Corona-Norco Unified School District.

General Obligation Bonds. The District received authorization at an election held on April 14, 1998 by at least two-thirds of the votes cast by eligible voters within the District to issue \$65,000,000 maximum principal amount of general obligation bonds (the “1998 Authorization”). On September 10, 1998, the District caused the issuance of the first series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligations Bonds, Series A (the “1998 Series A Bonds”) in the aggregate principal amount of \$17,000,000. On July 19, 2000, the District caused the issuance of the second series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligations Bonds, Series B (the “1998 Series B Bonds”) in the aggregate principal amount of \$14,885,534. On December 20, 2001, the District caused the issuance of the third series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligation Bonds, Series C (the “1998 Series C Bonds”) in the aggregate principal amount of \$23,000,139. On December 12, 2002, the District caused the issuance of the fourth and final series of bonds pursuant to the 1998 Authorization, the Election of 1998 General Obligation Bonds, Series D (the “1998 Series D Bonds”) in the aggregate principal amount of \$10,113,949. On April 5, 2005, the District issued its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) in the aggregate principal amount of \$13,340,000, the net proceeds of which were used to advance refund the then-outstanding 1998 Series A Bonds in full and to advance refund a portion of the then-outstanding 1998 Series C Bonds.

The District received authorization at an election held on November 7, 2006 by at least fifty-five percent of the votes cast by eligible voters within the District to issue \$250,000,000 aggregate principal amount of general obligation bonds (the "2006 Authorization"). On June 14, 2007, the District caused the issuance of the first series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series A (the "2006 Series A Bonds") in the aggregate principal amount of \$75,000,000. On February 4, 2009, the District caused the issuance of the second series of bonds pursuant to the 2006 Authorization, the 2006 Series B Bonds, in the aggregate principal amount of \$53,429,200. On December 17, 2009, the District concurrently caused the issuance of the third and fourth series of bonds pursuant to the 2006 Authorization, the 2006 Series C Bonds, in the aggregate principal amount of \$67,997,922, and the 2006 Series D Bonds, in the aggregate principal amount of \$32,000,000. On October 26, 2011, the District caused the issuance of the fifth and final series of bonds pursuant to the 2006 Authorization, the Election of 2006 General Obligation Bonds, Series E (the "2006 Series E Bonds") in the aggregate principal amount of \$21,568,291.

On July 8, 2015, the District issued its 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds") in the aggregate principal amount of \$51,675,000, the net proceeds of which were used to advance refund certain of the then-outstanding 2006 Series A Bonds and 2005 Refunding Bonds. On October 26, 2016, the District issued its 2016 General Obligation Refunding Bonds, Series A (the "2016 Series A Bonds") and its 2016 General Obligation Refunding Bonds, Series B (2019 Crossover) (the "2016 Series B Bonds") in the aggregate principal amounts of \$70,030,000 and \$31,145,000, respectively. The net proceeds of the 2016 Series A Bonds were used to advance refund certain of the outstanding 2006 Series B Bonds and 2006 Series C Bonds. The net proceeds of the 2016 Series B Bonds were used to advance refund, on a crossover basis, certain of the outstanding 2006 Series D Bonds.

The District received authorization at an election held on November 4, 2014, by at least fifty-five percent of the votes cast by eligible voters within the District to issue \$396,000,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). On July 8, 2015, the District caused the issuance of the first series of bonds pursuant to the 2014 Authorization, the Election of 2014 General Obligation Bonds, Series A (the "2014 Series A Bonds") in the aggregate principal amount of \$99,995,000. The Bonds represent the second series of bonds issued pursuant to the 2014 Authorization, after which \$175,005,000* of the 2014 Authorization will remain unissued.

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* Preliminary, subject to change.

The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt:

COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE⁽¹⁾
Corona-Norco Unified School District

Year Ending (September 1)	1998 Series B Bonds	1998 Series C Bonds	1998 Series D Bonds	2006 Series B Bonds	2006 Series C Bonds	2006 Series D Bonds ⁽²⁾⁽³⁾	2006 Series E Bonds	2014 Series A Bonds	2015 Refunding Bonds	2016 Series A Bonds	2016 Series B Bonds ⁽⁴⁾	The Bonds	Total Annual Debt Service
2018	1,735,000.00	2,390,000.00	740,000.00	1,404,000.00	4,709,490.00	2,349,760.00	312,050.00	7,816,700.00	5,005,987.50	2,738,050.00	--	--	--
2019	1,790,000.00	2,470,000.00	765,000.00	--	5,264,490.00	2,349,760.00	369,350.00	8,145,300.00	5,094,237.50	4,221,700.00	--	--	--
2020	1,865,000.00	2,575,000.00	795,000.00	1,825,000.00	5,849,490.00	2,349,760.00	434,850.00	8,444,900.00	5,151,637.50	2,680,500.00	\$1,245,800.00	--	\$1,245,800.00
2021	1,955,000.00	2,695,000.00	830,000.00	2,010,000.00	6,219,490.00	2,349,760.00	743,250.00	3,844,900.00	5,179,287.50	2,683,500.00	1,245,800.00	--	1,245,800.00
2022	2,050,000.00	2,815,000.00	870,000.00	2,200,000.00	5,849,490.00	2,349,760.00	1,825,440.00	3,979,900.00	5,180,787.50	2,681,300.00	1,245,800.00	--	1,245,800.00
2023	2,320,000.00	3,090,000.00	940,000.00	2,400,000.00	5,604,490.00	2,349,760.00	2,812,940.00	4,140,850.00	5,189,187.50	2,679,100.00	1,245,800.00	--	1,245,800.00
2024	2,620,000.00	3,390,000.00	1,055,000.00	2,605,000.00	5,044,490.00	2,349,760.00	4,152,353.00	4,306,850.00	4,854,687.50	2,681,900.00	1,245,800.00	--	1,245,800.00
2025	1,400,000.00 ⁽⁵⁾	4,655,000.00	1,255,000.00	2,825,000.00	4,474,490.00	2,349,760.00	5,539,865.00	4,477,600.00	4,507,687.50	2,679,500.00	1,245,800.00	--	1,245,800.00
2026	--	6,080,000.00	1,555,000.00	3,055,000.00	3,874,490.00	2,349,760.00	6,993,680.00	4,661,100.00	4,504,187.50	2,682,100.00	1,245,800.00	--	1,245,800.00
2027	--	--	8,085,000.00	3,295,000.00	1,929,490.00	2,349,760.00	6,881,050.00	4,843,100.00	4,502,437.50	2,679,500.00	1,245,800.00	--	1,245,800.00
2028	--	--	--	3,540,000.00	6,029,490.00	2,349,760.00	--	5,038,850.00	4,506,137.50	2,681,900.00	1,245,800.00	--	1,245,800.00
2029	--	--	--	--	5,850,290.00	2,349,760.00	--	5,242,100.00	4,504,887.50	2,679,500.00	1,245,800.00	--	1,245,800.00
2030	--	--	--	--	4,570,244.29	2,349,760.00	--	5,451,850.00	4,499,400.00	6,374,100.00	1,245,800.00	--	1,245,800.00
2031	--	--	--	--	4,402,742.62	2,349,760.00	--	5,667,100.00	4,504,500.00	6,553,500.00	1,245,800.00	--	1,245,800.00
2032	--	--	--	--	4,351,440.00	2,349,760.00	--	5,891,850.00	--	11,859,700.00	1,245,800.00	--	1,245,800.00
2033	--	--	--	--	1,416,440.00	8,349,760.00	--	6,129,850.00	--	12,389,500.00	7,190,800.00	--	7,190,800.00
2034	--	--	--	--	7,443,686.31	9,909,180.00	--	6,374,600.00	--	6,437,500.00	8,748,000.00	--	8,748,000.00
2035	--	--	--	--	3,808,749.61	19,321,740.00	--	6,629,850.00	--	1,171,500.00	18,158,400.00	--	18,158,400.00
2036	--	--	--	--	11,115,179.48	--	--	6,894,100.00	--	12,828,800.00	--	--	--
2037	--	--	--	--	17,968,894.79	--	--	7,172,500.00	--	5,978,800.00	--	--	--
2038	--	--	--	--	18,058,535.60	--	--	7,457,800.00	--	5,881,950.00	--	--	--
2039	--	--	--	--	18,262,240.00	--	--	7,758,950.00	--	5,576,250.00	--	--	--
2040	--	--	--	--	--	--	--	8,069,000.00	--	--	--	--	--
2041	--	--	--	--	--	--	--	8,391,250.00	--	--	--	--	--
2042	--	--	--	--	--	--	--	8,724,050.00	--	--	--	--	--
2043	--	--	--	--	--	--	--	9,074,700.00	--	--	--	--	--
2044	--	--	--	--	--	--	--	9,435,750.00	--	--	--	--	--
Total	\$14,335,000.00	\$30,160,000.00	\$16,890,000.00	\$25,159,000.00	\$152,097,833.00	\$72,827,080.00	\$30,064,828.00	\$169,465,350.00	\$67,185,050.00	\$113,181,350.00	\$50,292,600.00	--	\$50,292,600.00

(1) Mature on August 1, except the 1998 Series B Bonds, 1998 Series C Bonds and 1998 Series D Bonds, which mature on September 1.

(2) Includes debt service on the Refunded 2006 Series D Bonds expected to be refinanced with proceeds of the 2016 Series B Bonds. Prior to the Crossover Date, the Refunded 2006 Series D Bonds will continue to be obligations of the District payable solely from *ad valorem* property taxes. See "THE BONDS - Application and Investment of Bond Proceeds" herein.

(3) The 2006 Series D Bonds are designated as "Build America Bonds" pursuant to an irrevocable election by the District to have Section 54AA and Section 54AA(g) of the Internal Revenue Code of 1986, as amended apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each semi-annual interest payment date (each a "BAB Subsidy"). This table reflects gross debt service payments with respect to the 2006 Series 2010B Bonds and does not reflect the anticipated receipt of the BAB Subsidy. The BAB Subsidy is subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the BAB Subsidy by 6.6% through the end of the current federal fiscal year (September 30, 2018). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect the BAB Subsidy currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on the 2006 Series D Bonds. The County will deposit any cash BAB Subsidy received into the debt service fund for the 2006 Series D Bonds.

(4) Excludes interest on the Series B Bonds prior to the Crossover Date, which interest is secured by and payable solely from the proceeds thereof deposited into the Series B Bonds Escrow Fund established therefor. See "THE BONDS - Annual Debt Service" herein for a schedule of the total debt service due on the Series B Bonds.

(5) Due March 1, 2025.
Source: Corona-Norco Unified School District.

Certificates of Participation. On October 27, 2010, the District executed and delivered its Certificates of Participation, Series A of 2010 (the "2010 Certificates") in the aggregate principal amount of \$32,125,000. The net proceeds of the 2010 Certificates were utilized to refinance certain then-outstanding certificate of participation debt of the District and fund the acquisition and construction of certain school facilities. The following table summarizes the remaining annual 2010 Certificates payment requirements of the District.

2010 CERTIFICATES - ANNUAL CERTIFICATE PAYMENT SCHEDULE
Corona-Norco Unified School District

<u>Year Ending</u> <u>(April 15)</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total Annual</u> <u>Certificate</u> <u>Payments</u>
2018	1,245,000.00	1,139,193.76	2,384,193.76
2019	1,310,000.00	1,076,943.76	2,386,943.76
2020	1,375,000.00	1,011,443.76	2,386,443.76
2021	1,440,000.00	942,693.76	2,382,693.76
2022	1,515,000.00	870,693.76	2,385,693.76
2023	1,590,000.00	794,943.76	2,384,943.76
2024	1,650,000.00	735,318.76	2,385,318.76
2025	1,715,000.00	669,318.76	2,384,318.76
2026	1,785,000.00	600,718.76	2,385,718.76
2027	1,870,000.00	515,118.76	2,385,118.76
2028	1,960,000.00	425,468.76	2,385,468.76
2029	2,055,000.00	331,518.76	2,386,518.76
2030	2,150,000.00	233,018.76	2,383,018.76
2031	2,255,000.00	129,993.76	2,384,993.76
2032	<u>475,000.00</u>	<u>21,968.76</u>	<u>496,968.76</u>
Total	<u>\$24,390,000.00</u>	<u>\$9,498,356.40</u>	<u>\$33,888,356.40</u>

Source: Corona-Norco Unified School District.

Community Facilities District Bonds. The District has established several community facilities districts (each, a "CFD") under the Mello Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the State Government Code) for the purpose of raising funds for the construction and acquisition of elementary, middle and high school and certain other public facilities within specified areas of the District. Each of the CFDs established by the District has sold special tax bonds (the "Special Tax Bonds") payable from a special tax (each, a "Special Tax") to be levied on all taxable property within the respective CFDs, pursuant to a rate and method of apportionment of special taxes (each, an "RMA") approved by registered voters of each CFD.

Special Tax Bonds issued by a CFD are special obligations thereof, payable solely from the net proceeds of the Special Tax levied within such CFD. The District's general fund is not a source of payment for the Special Tax Bonds issued by any CFD. Each CFD has covenanted to levy in each year an amount of Special Taxes sufficient to pay any amounts necessary to fund specified administration costs of the CFD as well as the debt service coming due on all outstanding Special Tax Bonds of such CFD in such year.

The District's CFDs have bonded debt outstanding as shown in the table on the following page.

SPECIAL TAX BOND DEBT
Corona-Norco Unified School District Community Facilities Districts
As of January 1, 2018

<u>Name of CFD</u>	<u>Date of Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal Currently Outstanding</u>
CFD No. 97-1 ⁽¹⁾	7/28/2005	\$1,575,000	\$933,601
CFD No. 98-1	7/11/2013	42,675,000	38,430,000
CFD No. 99-1 ⁽¹⁾	7/28/2005	3,795,000	2,411,795
CFD No. 99-2 Improvement Area A ⁽¹⁾	7/28/2005	2,945,000	1,992,229
CFD No. 99-2 Improvement Area B ⁽¹⁾	7/28/2005	2,230,000	1,472,916
CFD No. 99-2 Improvement Area C ⁽¹⁾	7/28/2005	2,640,000	1,736,611
CFD No. 00-1 ⁽²⁾	2/21/2013	2,185,000	1,810,000
CFD No. 01-1 Improvement Area A ⁽²⁾	2/21/2013	3,085,000	2,515,000
CFD No. 01-1 Improvement Area B ⁽²⁾	2/21/2013	5,590,000	4,555,000
CFD No. 01-2 Improvement Area A ⁽²⁾	2/21/2013	3,480,000	2,980,000
CFD No. 01-2 Improvement Area B ⁽²⁾	2/21/2013	3,085,000	2,560,000
CFD No. 01-2 Improvement Area C ⁽²⁾	2/21/2013	7,220,000	6,175,000
CFD No. 02-1 ⁽¹⁾	7/28/2005	4,230,000	3,483,996
CFD No. 02-2 Improvement Area A ⁽¹⁾	7/28/2005	3,855,000	2,828,803
CFD No. 02-2 Improvement Area B ⁽¹⁾	7/28/2005	4,875,000	3,575,904
CFD No. 03-1 ⁽²⁾	2/21/2013	11,535,000	9,575,000
CFD No. 03-2 ⁽²⁾	2/21/2013	2,275,000	1,945,000
CFD No. 03-3 Improvement Area A ⁽²⁾	2/21/2013	2,325,000	1,995,000
CFD No. 03-3 Improvement Area B ⁽²⁾	2/21/2013	2,560,000	2,180,000
CFD No. 03-4 ⁽²⁾	2/21/2013	2,070,000	1,765,000
CFD No. 03-5 ⁽²⁾	2/21/2013	2,205,000	1,870,000
CFD No. 04-1	12/23/2014	12,005,000	10,790,000
CFD No. 04-2 Improvement Area 1 ⁽³⁾	7/12/2006	2,700,000	2,130,000
CFD No. 04-2 Improvement Area 2 ⁽³⁾	7/12/2006	3,300,000	2,595,000
CFD No. 04-2 Improvement Area 3	2/10/2016	1,885,000	1,725,000
CFD No. 05-1	2/10/2016	21,450,000	20,505,000
CFD No. 06-1	4/20/2017	5,000,000	4,830,000
CFD No. 06-2	10/22/2013	3,300,000	3,075,000
CFD No. 15-1	08/24/2017	6,315,000	6,315,000
TOTALS		\$173,005,000	\$148,755,855

⁽¹⁾ Secures the 2016 Refunding PFA Bonds (as defined herein). See "Public Financing Authority Bonds" herein.

⁽²⁾ Secures the 2013 Series A PFA Bonds and the 2013 Series B PFA Bonds (each as defined herein). See "Public Financing Authority Bonds" herein.

⁽³⁾ Secures the 2014 Refunding PFA Bonds (as defined herein). See "Public Financing Authority Bonds" herein.

Source: Piper Jaffray & Co.

The following table shows the combined debt service on Special Tax Bonds not associated with PFA Bonds (as defined herein). For a schedule of debt service on the PFA Bonds, see "Public Financing Authority Bonds" herein.

SPECIAL TAX BONDS - ANNUAL DEBT SERVICE REQUIREMENTS (NON-PFA BONDS)⁽¹⁾
Corona-Norco Unified School District Community Facility Districts

Year Ending (September 1)	CFD 98-1	CFD 04-1	Improvement Area 3	CFD 05-1	CFD 06-1	CFD 06-2	CFD 15-1	Total Debt Service
2018	\$3,247,137.50	\$832,785.00	\$129,809.00	\$1,263,393.76	\$332,230.00	\$212,691.25	\$313,804.64	\$6,331,851.15
2019	3,315,937.50	831,807.50	127,345.50	1,262,993.76	326,587.50	216,041.25	347,731.26	6,428,444.27
2020	3,389,737.50	830,207.50	129,882.00	1,266,993.76	345,760.00	213,961.25	345,031.26	6,521,573.27
2021	3,468,137.50	832,985.00	127,229.00	1,265,193.76	348,915.00	211,751.25	344,631.26	6,598,842.77
2022	3,537,637.50	829,932.50	129,481.25	1,263,443.76	341,885.00	214,313.75	349,031.26	6,665,725.02
2023	3,614,137.50	831,257.50	126,638.75	1,265,693.76	344,670.00	211,583.75	346,781.26	6,740,762.52
2024	3,686,887.50	831,752.50	128,796.25	1,266,693.76	347,177.50	213,696.25	348,781.26	6,823,785.02
2025	3,770,637.50	831,417.50	125,764.25	1,266,443.76	344,407.50	215,508.75	347,581.26	6,901,760.52
2026	3,849,387.50	830,252.50	127,637.50	1,264,943.76	346,360.00	213,988.75	347,781.26	6,978,351.27
2027	3,932,887.50	833,257.50	129,416.00	1,262,743.76	347,942.50	213,388.75	348,656.26	7,068,292.27
2028	4,015,387.50	830,225.00	130,910.25	1,265,493.76	349,062.50	214,457.50	348,556.26	7,154,092.77
2029	4,101,387.50	831,362.50	127,309.75	1,266,900.00	344,997.50	215,182.50	348,306.26	7,235,446.01
2030	4,095,137.50	831,462.50	127,309.75	1,267,300.00	340,747.50	215,575.00	347,906.26	7,226,838.01
2031	3,822,562.50	835,525.00	128,709.25	1,266,700.00	346,127.50	215,575.00	347,125.00	6,963,439.50
2032	2,859,062.50	833,342.50	129,824.50	1,263,450.00	350,952.50	215,325.00	345,950.00	5,998,832.75
2033	1,075,062.50	835,122.50	130,750.25	1,263,450.00	345,500.00	214,687.50	344,612.50	4,210,266.25
2034	--	830,657.50	127,222.75	1,267,200.00	344,677.50	213,793.75	347,862.50	3,131,414.00
2035	--	835,155.00	127,864.25	1,263,700.00	348,392.50	212,343.75	345,512.50	3,132,968.00
2036	--	833,200.00	118,316.25	1,263,450.00	351,552.50	215,625.00	347,987.50	3,130,131.25
2037	--	--	--	1,266,200.00	344,342.50	213,368.75	345,112.50	2,169,023.75
2038	--	--	--	1,265,600.00	--	215,843.75	347,062.50	1,828,506.25
2039	--	--	--	1,263,600.00	--	212,781.25	348,062.50	1,824,443.75
2040	--	--	--	1,265,200.00	--	214,450.00	348,687.50	1,828,337.50
2041	--	--	--	1,265,200.00	--	215,581.25	348,937.50	1,829,718.75
2042	--	--	--	1,263,600.00	--	216,175.00	348,812.50	1,828,587.50
2043	--	--	--	1,263,600.00	--	211,231.25	348,312.50	1,824,943.75
2044	--	--	--	1,265,400.00	--	216,018.75	347,437.50	1,828,856.25
2045	--	--	--	1,265,400.00	--	--	346,187.50	1,609,787.50
2046	--	--	--	1,263,600.00	--	--	344,562.50	344,562.50
2047	--	--	--	--	--	--	347,562.50	347,562.50
TOTALS	\$55,781,125.00	\$15,811,707.50	\$2,434,488.00	\$35,420,231.36	\$6,892,287.50	\$5,782,940.00	\$10,384,367.26	\$132,507,146.62

⁽¹⁾ Excludes debt service on the CFD Bonds that were acquired by the PFA to provide revenues to secure the PFA Bonds. See "Public Financing Authority Bonds - PFA Bonds - Annual Debt Service Requirements" herein for a schedule of the debt service due on all of the outstanding PFA Bonds.
Source: Corona-Norco Unified School District.

Public Financing Authority Bonds. The District created the Corona-Norco Unified School District Public Financing Authority (the "PFA") to refinance certain debt of the District's CFDs. The PFA has issued bonds in order to acquire certain Special Tax Bonds of some of the District's CFDs, which Special Tax Bonds were issued to refund prior Special Tax Bonds issued by those CFDs. On July 28, 2005, the PFA issued \$26,145,000 aggregate principal amount of its Special Tax Revenue Bonds, 2005 Series B (the "2005 Series B PFA Bonds"). The 2005 Series B PFA Bonds have since been refunded in full with proceeds of the 2016 Refunding PFA Bonds (as defined herein). On December 6, 2006, the PFA issued \$15,335,000 aggregate principal amount of its Special Tax Revenue Bonds, 2006 Series B (the "2006 Series B PFA Bonds"). The 2006 Series B PFA Bonds have since been refunded in full with proceeds of the 2016 Special Tax Bonds for CFD No. 05-1 and the 2016 Special Tax Refunding Bonds for CFD No. 04-2 Improvement Area 3. On February 21, 2013 the PFA issued \$34,700,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds, 2013 Series A (Senior Lien Bonds) (the "2013 Series A PFA Bonds") and \$12,915,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds, 2013 Series B (Junior Lien Bonds) (the "2013 Series B PFA Bonds"). On December 23, 2014, the PFA issued \$5,315,000 aggregate principal amount of its Special Tax Revenue Refunding Bonds (the "2014 Refunding PFA Bonds"). On January 28, 2016, the PFA issued \$18,605,000 aggregate principal amount of its 2016 Special Tax Revenue Refunding Bonds, Series A (the "2016 Refunding PFA Bonds," and together with the 2006 Series B PFA Bonds, the 2013 Series A PFA Bonds, the 2013 Series B PFA Bonds, and the 2014 Refunding PFA Bonds, the "PFA Bonds").

The PFA Bonds are limited obligations of the PFA payable solely from revenues of the PFA, consisting primarily of payments received by the PFA from the respective CFDs in connection with the Special Tax Bonds acquired by the PFA. The payments from the respective CFDs to the PFA consist of Special Taxes levied in the respective CFDs. The District's general fund is not a source of payment for the PFA Bonds. The following table shows the annual debt service on the outstanding PFA Bonds.

PFA BONDS – ANNUAL DEBT SERVICE REQUIREMENTS
Corona-Norco Unified School District Public Financing Authority

Year Ending (September 1)	2013 Series A PFA Bonds	2013 Series B PFA Bonds	2014 Refunding PFA Bonds	2016 Refunding PFA Bonds	Total Annual Debt Service
2018	\$2,624,500.00	\$928,987.50	\$368,370.00	\$1,479,149.00	\$5,401,006.50
2019	2,627,500.00	929,737.50	366,315.00	1,482,299.00	5,405,851.50
2020	2,626,250.00	925,037.50	369,052.50	1,474,266.00	5,394,606.00
2021	2,627,000.00	934,412.50	371,375.00	1,485,323.00	5,418,110.50
2022	2,609,500.00	926,693.76	368,282.50	1,479,651.00	5,384,127.26
2023	2,619,500.00	927,968.76	369,982.50	1,473,069.00	5,390,520.26
2024	2,630,500.00	927,156.26	366,267.50	1,475,304.00	5,399,227.76
2025	2,632,250.00	929,875.00	367,345.00	1,476,174.00	5,405,644.00
2026	2,630,000.00	930,875.00	368,007.50	1,475,588.00	5,404,470.50
2027	2,628,750.00	930,250.00	368,255.00	1,473,546.00	5,400,801.00
2028	2,633,250.00	928,437.50	368,087.50	1,465,139.00	5,394,914.00
2029	2,623,000.00	919,750.00	367,505.00	1,380,367.00	5,290,622.00
2030	2,623,500.00	925,000.00	371,507.50	1,167,142.00	5,087,149.50
2031	2,619,000.00	923,250.00	369,887.50	1,165,105.00	5,077,242.50
2032	2,614,500.00	929,750.00	367,852.50	761,794.00	4,673,896.50
2033	2,094,750.00	739,000.00	370,402.50	761,678.00	3,965,830.50
2034	1,180,250.00	435,750.00	367,330.00	450,743.00	2,434,073.00
2035	1,191,750.00	441,000.00	368,842.50	--	2,001,592.50
2036	--	--	369,732.50	--	369,732.50
TOTALS	\$41,211,250.00	\$14,603,943.78	\$6,636,030.00	\$22,193,732.00	\$102,715,445.78

Source: Piper Jaffray & Co.

See "TAX BASE FOR REPAYMENT OF BONDS – Statement of Direct and Overlapping Debt" herein for the total principal amount of the Special Tax Bonds and PFA Bonds outstanding.

Capital Lease Obligations. The District has entered into agreements, with options to purchase, to lease certain equipment (the "Capital Leases"). The District's liability with respect to the Capital Leases, as of June 30, 2017, is summarized below:

Balance, Beginning of Year	\$211,941
Additions	11,218,768
Payments	(638,147)
Balance, End of Year	\$10,792,562

The Capital Leases had minimum lease payments, as of June 30, 2017, as follows:

Year Ending <u>June 30,</u>	Lease <u>Payment</u>
2018	\$353,021
2019	1,132,248
2020	1,119,493
2021	655,024
2022	655,024
2023-2027	3,275,120
2028-2032	3,275,120
2033	327,512
Total	<u>\$10,792,562</u>
Less: Amount representing interest	(1,507,186)
Present value of minimum lease payments	<u>\$9,285,376</u>

Source: Corona-Norco Unified School District.

See also "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10" attached hereto.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

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

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

any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

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

A copy of the proposed forms of opinion of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the proceeds general obligation bonds can only be used to finance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – TREASURER'S POOLED INVESTMENT FUND" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the 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.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other

criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of 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 (which currently ends June 30), commencing with the report for the 2016-17 Fiscal Year, and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE". These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. In connection with prior issuances, the District, the District's CFDs and the PFA established by the District (collectively, the "District Entities") have undertaken to provide certain financial information and operating data relating to the respective District Entities. Special District Financing & Administration, the disclosure dissemination agent of the District Entities, undertook a review of the District Entities' continuing disclosure compliance within the last five years. The review concluded that, within the past five years, the District failed to file in a timely manner certain portions of the annual reports required in connection with certain of the District's then-outstanding general obligation bonds. Such annual reports were filed less than five days late, except for one table that was omitted from the annual reports filed for fiscal years 2011-12 through 2013-14, which was filed on June 8, 2015. In addition, the review found that the District failed to file in a timely manner the annual reports for fiscal year 2012-13 required in connection with two of the District's CFDs' issuances (the CFD No. 06-1 Series 2007 Special Tax Bonds, and the CFD No. 98-1 2003 Special Tax Bonds). The review also concluded that, within the past five years, the District Entities failed to file in a timely manner certain notices of listed events.

Litigation

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2017, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 6, 2017 of Vavrinek, Trine Day & Co., LLP, Certified Public Accountants (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon as APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report. In the District's audited Financial Statements attached as Appendix B hereto, the District restated the beginning net position as of the beginning of fiscal year 2016-17 to retroactively implement GASB Statement Nos. 68 and 71, which require the reporting of the net pension liability, net of related deferred

outflows of resources, of the District's defined benefit pension plan in the financial statements. See "CORONA-NORCO UNIFIED SCHOOL DISTRICT – Direct Retirement Programs – GASB Statement Nos. 67 and 68" herein. The effect of such restatement was to reduce such beginning net position by \$27,085,244 as of July 1, 2016.

Legal Opinion

The legal opinion of Bond Counsel approving the validity of the Bonds will be supplied to the original purchasers thereof without cost. The proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "Aa2" by Moody's and "AAA" by Fitch Global Ratings. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Purchase of Bonds. Citigroup Capital Markets Inc. (the "Underwriter") has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds. The Underwriter will purchase the Bonds for a purchase price of \$_____ (consisting of the principal amount of the Bonds of \$_____ plus original issue premium of \$_____, less Underwriter's discount of \$_____).

The purchase contract for the Bonds provide 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 such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Underwriter Disclosures. The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should be construed as a representation of the District.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the 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.

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: _____
Assistant Superintendent, Business Services

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

_____, 2018

Board of Education
Corona-Norco Unified School District

Members of the Board of Education:

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

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State of California (the "Act"), commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the Corona-Norco Unified School District (the "District") voting at an election held on November 4, 2014, and a resolution of the Board of Education of the District adopted on January 23, 2018 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County adopted on February 27, 2018 (the "County Resolution" and together with the District Resolution, the "Resolutions").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for

federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

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

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

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

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

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

Respectfully submitted,

APPENDIX B

2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Corona-Norco Unified School District (the "District") in connection with the issuance of \$_____ of the District's Election of 2014 General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Education of the District adopted on January 23, 2018 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

"Official Statement" shall mean the Official Statement dated as of _____, 2018 and relating to the Bonds.

"Participating Underwriter" shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2016-17 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

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

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

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

- (e) total assessed valuation of taxable properties in the District for the current fiscal year; and
- (f) the secured property tax levies, collections and delinquencies for the District, for the most recently completed fiscal year, to the extent that Riverside County discontinues the Teeter Plan (as such term is defined in the Official Statement) with respect to general obligation bonds of the District.

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

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. optional, contingent or unscheduled Bond calls.
4. defeasances.
5. rating changes.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by

the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: _____, 2018

CORONA-NORCO UNIFIED SCHOOL
DISTRICT

By: _____
Assistant Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: CORONA-NORCO UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series B

Date of Issuance: _____, 2018

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

Dated: _____

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

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

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

General

City of Corona. A city of ethnically diverse, young, well-educated families, Corona is located in the western portion of the County, 44 miles east of Los Angeles along State Route 91 and U.S. Interstate 15. The City encompasses 39.2 square miles in area with includes 394 acres of parks and outdoor sports fields. Incorporated in 1896, Corona operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year terms. The City Council elects one of the City Council members as Mayor.

City of Norco. Norco is located directly north of Corona in the western portion of the County, 44 miles east of Los Angeles along U.S. Interstate 15 and is approximately 17 square miles in area. Also known as "Horsetown USA," Norco is an equestrian-oriented and animal-keeping community. Incorporated in 1964, Norco operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year term. The City Council elects one of the City Council members as Mayor.

Riverside County. The County of rivers, mountains, deserts and fertile valleys is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County has experienced a long period of growth and development including events as diverse as the Bob Hope Golf Classic to the mega-concerts of Coachella and Stagecoach. It is currently the eleventh most populous county in the United States. The County, incorporated in 1893, is a general law county governed by five elected members of the Board of Supervisors and the County seat located in the City of Riverside.

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Population

The following table shows historical population figures for the Cities, County and State of California for the past 10 years.

POPULATION ESTIMATES
2008 through 2017
City of Corona, City of Norco, Riverside County and State of California

<u>Year</u> ⁽¹⁾	<u>City of Corona</u>	<u>City of Norco</u>	<u>Riverside County</u>	<u>State of California</u>
2008	147,319	26,812	2,102,741	36,704,375
2009	149,692	26,852	2,140,626	36,966,713
2010 ⁽²⁾	152,374	27,063	2,189,641	37,253,956
2011	153,665	27,062	2,212,874	37,563,835
2012	156,065	27,295	2,239,715	37,881,357
2013	158,944	26,962	2,266,290	38,238,492
2014	161,472	26,950	2,291,699	38,572,211
2015	162,746	26,297	2,318,762	38,915,880
2016	163,931	26,776	2,348,213	39,189,035
2017	167,759	26,882	2,384,783	39,523,613

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2008-09, 2011-17 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

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Income

The following table shows per capita personal income for the County, State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2007 through 2016
Riverside County, State of California and United States

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2007	\$31,972	\$43,692	\$39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,317	40,277
2011	31,847	45,849	42,461
2012	32,301	48,369	44,282
2013	32,828	48,570	44,493
2014	34,044	51,344	46,494
2015	35,883	54,718	48,451
2016	36,782	56,374	49,246

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2016 reflect county population estimates available as of March 2017. All dollar estimates are in current dollars (not adjusted for inflation).

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

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Principal Employers

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

PRINCIPAL EMPLOYERS

City of Corona

As of June 30, 2017

<u>Company</u>	<u>Description</u>	<u>Employees</u>
Corona-Norco Unified School District	Services: Educational Services	5,399
Corona Regional Medical Center	Services: Health Services	1,113
Kaiser Permanente	Services: Health Services	995
All American Asphalt	Concrete Work	840
City of Corona	Public Administration	805
Fender Guitar	Musical Instrument Stores	650
Monster Energy	Groceries and Related Products	607
TWR Framing Enterprises	Carpentry Work	600
Thermal Structures	Manufacturing: Aircraft Engines	500
Veg Fresh Farms	Fresh Fruits and Vegetables	425

Source: City of Corona 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2017.

PRINCIPAL EMPLOYERS

City of Norco

As of June 30, 2017

<u>Company</u>	<u>Description</u>	<u>Employees</u>
Corona-Norco Unified School District	Services: Educational Services	5,399
Naval Surface Warfare Center	National Security	1,564
California Rehabilitation Center	Services: Health Services	1,140
Riverside Community College	Services: Educational Services	456
Quick Crete Products Corp.	Concrete Products	160
Target Stores	Department Stores	152
International E-Z Up, Inc.	Canvas and Related Products	123
Winco Foods	Grocery Stores	117
Hemborg Ford, Inc.	Motor Vehicle Dealers	110
Silverlakes	Services: Amusement and Recreation	95

Source: City of Norco 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2017.

PRINCIPAL EMPLOYERS

**Riverside County
As of June 30, 2017**

<u>Company</u>	<u>Description</u>	<u>Employees</u>
County of Riverside	Public Administration	22,538
University of California Riverside	Services: Educational Services	8,686
March Air Reserve Base	National Security	8,500
Amazon	Transportation and Warehousing	7,500
Kaiser Permanente Riverside Medical Center	Services: Health Services	5,739
Corona-Norco Unified School District	Services: Educational Services	5,399
Riverside Unified School District	Services: Educational Services	4,236
Pechanga Resort Casino	Casino Hotels	4,000
Riverside University Health Systems – Medical Center	Services: Health Services	3,876
Eisenhower Medical Center	Services: Health Services	3,665

Source: County of Riverside, California 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2017.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years for the Cities, County, and State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT 2012 through 2016⁽¹⁾ City of Corona, City of Norco, Riverside County and State of California

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment⁽³⁾</u>	<u>Unemployment Rate (%)</u>
<u>2012</u>				
City of Corona	75,200	68,300	6,900	9.2
City of Norco	10,500	9,500	1,000	9.4
Riverside County	987,100	872,300	114,800	11.6
California	18,519,000	16,602,700	1,921,100	10.4
<u>2013</u>				
City of Corona	76,200	70,300	5,900	7.8
City of Norco	10,700	9,800	900	8.0
Riverside County	996,300	897,800	98,600	9.9
California	18,596,800	16,958,700	1,665,600	8.9
<u>2014</u>				
City of Corona	77,800	72,900	5,000	6.4
City of Norco	10,900	10,200	700	6.6
Riverside County	1,013,000	930,000	83,000	8.2
California	18,755,000	17,348,600	1,406,400	7.5
<u>2015</u>				
City of Corona	79,900	75,700	4,200	5.2
City of Norco	11,200	10,600	600	5.3
Riverside County	1,035,500	966,400	69,100	6.7
California	18,893,200	17,723,300	1,169,900	6.2
<u>2016</u>				
City of Corona	81,200	77,400	3,800	4.7
City of Norco	11,400	10,800	600	4.8
Riverside County	1,051,800	988,000	63,800	6.1
California	19,102,700	18,065,000	1,037,700	5.4

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

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

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2016 Benchmark.

Industry

The Cities and County are included in the Riverside – San Bernardino – Ontario Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for the past five calendar years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES

2012 through 2016

Riverside – San Bernardino – Ontario MSA

<u>Category</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Farm	15,000	14,500	14,400	14,800	14,700
Total Nonfarm	1,185,200	1,233,300	1,289,300	1,353,100	1,400,800
Total Private	960,600	1,008,100	1,060,500	1,119,800	1,160,300
Goods Producing	150,500	158,600	170,200	183,000	192,300
Mining, Logging, Construction	63,800	71,200	78,900	86,900	93,300
Manufacturing	86,700	87,300	91,300	96,100	98,900
Durable Goods	56,900	57,300	60,200	63,100	64,800
Nondurable Goods	29,800	30,100	31,100	33,000	34,100
Service Providing	1,034,700	1,074,700	1,119,100	1,170,100	1,208,500
Private Service Providing	810,100	849,600	890,300	936,800	968,000
Trade, Transportation and Utilities	287,600	299,700	314,900	333,200	346,300
Wholesale Trade	52,200	56,400	58,900	61,600	62,900
Retail Trade	162,400	164,800	169,400	174,300	179,000
Transportation, Warehousing and Utilities	73,000	78,400	86,600	97,400	104,400
Information	11,700	11,500	11,300	11,400	11,600
Financial Activities	40,700	41,800	42,900	43,900	45,300
Professional and Business Services	127,100	131,900	138,700	147,400	145,800
Educational and Health Services	173,600	187,600	194,800	205,100	214,300
Leisure and Hospitality	129,400	135,900	144,800	151,700	159,700
Other Services	40,100	41,100	43,000	44,000	45,100
Government	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>240,500</u>
Total, All Industries	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,415,400</u>

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Riverside County
(Riverside – San Bernardino- Ontario MSA) Annual Average Labor Force and Industry Employment, March 2016 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the Cities and County from 2011 through 2015 are shown in the following tables.

ANNUAL TAXABLE SALES 2011 through 2015 City of Corona (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2011	2,554	1,679,423	4,045	2,715,071
2012	2,617	1,773,853	4,077	2,855,833
2013	2,517	1,849,050	4,004	3,111,998
2014	2,558	1,917,343	4,057	3,231,208
2015	--	1,922,580	--	3,320,557

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

ANNUAL TAXABLE SALES 2011 through 2015 City of Norco (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2011	571	330,169	862	384,972
2012	607	364,646	902	429,119
2013	658	394,368	940	468,781
2014	664	422,781	947	510,210
2015	--	445,175	--	543,871

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

ANNUAL TAXABLE SALES
2011 through 2015
Riverside County
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2010	32,534	\$16,919,500	45,688	\$23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	--	23,281,724	--	32,910,910

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

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Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the Cities and County are shown in the following tables.

BUILDING PERMIT VALUATIONS 2012 through 2016 City of Corona (Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$23,973	\$33,878	\$77,425	\$52,535	\$23,341
Non-Residential	<u>46,137</u>	<u>95,334</u>	<u>64,420</u>	<u>89,581</u>	<u>81,914</u>
Total	\$70,110	\$129,212	\$141,845	\$142,116	\$105,225
Units					
Single Family	78	39	30	28	66
Multiple Family	<u>0</u>	<u>237</u>	<u>626</u>	<u>533</u>	<u>0</u>
Total	78	276	656	561	66

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

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS 2012 through 2016 City of Norco (Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$2,238	\$247	\$265	\$286	\$2,644
Non-Residential	<u>7,100</u>	<u>2,102</u>	<u>6,153</u>	<u>1,253</u>	<u>8,950</u>
Total	\$9,338	\$2,349	\$6,418	\$1,539	\$11,594
Units					
Single Family	2	0	0	0	1
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
Total	2	0	0	0	7

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

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2012 through 2016
Riverside County
(Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535
Non-Residential	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,020</u>
Total	\$1,737,000	\$2,249,570	\$2,436,741	\$1,448,207	\$3,105,555
Units					
Single Family	3,720	4,716	5,007	5,007	5,662
Multiple Family	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>
Total	4,629	6,143	6,938	6,196	6,701

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

Source: Construction Industry Research Board.

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APPENDIX E

TREASURER'S POOLED INVESTMENT FUND

The following information concerning the Treasurer's Pooled Investment Fund (the "Investment Pool") has been provided by the County Treasurer-Tax Collector (the "Treasurer"), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.