Resolution) of the Series 2018-C Bonds then Outstanding, or their representatives authorized in writing. Defined terms in this Section shall have the meaning(s) assigned thereto in the County Resolution. The Treasurer is requested to provide regular periodic statements of such funds and accounts to the District.

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

(a) Pursuant to Section 1(b)(3) of Article XIIIA of the California Constitution, the proceeds of the sale of the Series 2018-C Bonds (exclusive of costs of issuance and delivery of the Series 2018-C Bonds) ("Bond Proceeds" or "Series 2018-C Bond Proceeds") shall be used for the purposes specified in the list of specific school facilities projects set forth in Resolution No. 2012-13/4 and approved by the voters in the Bond Election ("School Facilities Project List") and not for any other purpose, including teacher and administrator salaries and any other school operating expenses.

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

(c) Pursuant to Section 1(b)(3) of Article XIIIA of the California Constitution, the District Board shall conduct, or cause to be conducted, annual, independent performance audits to ensure that the Series 2018-C Bond Proceeds have been expended only on the school facilities projects and capital expenditures identified in the School Facilities Project List.

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

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

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

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

(h) Pursuant to Education Code Sections 15268 and 15270, based on estimates that assessed valuation will increase in accordance with Article XIIIA of the California Constitution, the tax rate to be levied to meet the requirements of Section 18 of Article XVI of the California

Constitution with regard to the Series 2018-C Bonds will not exceed Sixty Dollars ($60) per year per One Hundred Thousand Dollars ($100,000) of taxable property within the boundaries of the District. The District shall provide, or cause to be provided, a certificate specifying the estimated tax rate, and confirming compliance with this statutory requirement, at the time the Series 2018-C Bonds are delivered.

Section 17. Compliance with District Debt Management Policies. The District Board hereby determines that the adoption of this Resolution is in general compliance with the provisions and requirements of the District's current Debt Management Policies. To the extent this Resolution is not in strict compliance therewith, this District Board waives such requirements for the reasons, and upon the determinations, set forth herein. The District Board hereby directs that all periodic filings and reports required under the District's Debt Management Policy, which are applicable to the Series 2018-C Bonds, shall be completed and made in a timely manner.

Section 18. Compliance with Certain Provisions of State Law; Annual Reporting. That pursuant to Government Code Section 53410, the District Board hereby finds, determines and directs as follows:

(a) The Series 2018-C Bond Proceeds shall be used only for the purposes set forth in the School Facilities Project List included as part of the Bond Election, the construction proceeds of which have been, or will be, used only for the purposes set forth in the School Facilities Project List.

(b) One or more funds or accounts (which may include subaccounts) as further described herein and in the County Resolution shall be created into which the Series 2018-C Bond Proceeds shall be deposited.

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

(i) The amount of the Series 2018-C Bond Proceeds received and expended during the applicable reporting period; and

(ii) The status of the acquisition, construction or financing of the school facility projects, as identified in the bond measure, with the Series 2018-C Bond Proceeds.

The report(s) required by this Section 18(c) may be combined with other periodic reports which include the same information, including, but not limited to, periodic reports made to the California Debt and Investment Advisory Commission (CDIAC), continuing disclosure reports, financial statements and audits and/or other written reports made in connection with the Series 2018-C Bonds. The requirements of this Section 18(c) shall apply only until all the Series 2018-C Bonds are redeemed or defeased, but if the Series 2018-C Bonds, or any series of bonds, are refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased.

Section 19. **Additional Findings and Directives.** Pursuant to Education Code Section 15146(b) and (c), to the extent applicable, the District Board hereby finds, determines and directs as follows:

(a) The Series 2018-C Bonds shall be sold by negotiated sale to the Underwriter as set forth in Sections 5, 6 and 7 of this Resolution and elsewhere herein.

(b) The Series 2018-C Bonds shall be sold by negotiated sale inasmuch as: (i) such a sale to the Underwriter will allow the District to integrate the sale of the Series 2018-C Bonds with other public financings undertaken, or to be undertaken, by the District in order to finance and fund public school facilities and equipment; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; (iii) such a sale will allow the District to utilize the services of consultants at a lower cost than selecting, retaining and utilizing the services of consultants who are not familiar with the District, its financing needs and related matters; and (iv) such a sale will allow the District to control the timing of the sale of the Series 2018-C Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Series 2018-C Bonds to such market.

(c) The District anticipates that the Series 2018-C Bonds will be sold to Stifel, Nicolaus & Company, Incorporated, as Underwriter, pursuant to a negotiated sale and the terms and conditions set out in the final executed Purchase Agreement. In the issuance, sale and delivery of the Series 2018-C Bonds the District is represented by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as Bond Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel and Fieldman, Rolapp & Associates, Inc., as Financial Advisor.

(d) The estimates of costs associated with the issuance and sale of the Series 2018-C Bonds include the following: (i) the Underwriter's discount shall be as described in Section 7 hereof; (ii) Bond Counsel and Disclosure Counsel fees are set out in the retention agreements with Bond Counsel and Disclosure Counsel, which are on file with the District; (iii) costs for purchase of a policy of bond insurance or other credit enhancement (iv) fees of the Financial Advisor, which are set out in the retention agreement with the Financial Advisor, which is on file with the District, (v) costs for printing of the Preliminary Official Statement and Official Statement, other legal counsel fees, rating agency fees and presentation, the initial fees and expenses of the paying agent, California Municipal Statistics and other fees and expenses incident to the issuance and sale of the Series 2018-C Bonds. Estimated costs of issuance of the Series 2018-C Bonds are set forth in Exhibit "C" attached hereto and incorporated herein by this reference. All such figures are estimates and shall not constrain or limit the District as to the issuance and sale of the Series 2018-C Bonds pursuant to the directives and conditions set forth herein.

(e) The District Board hereby directs that following the sale of the Series 2018-C Bonds, the District Board shall be presented with the actual costs of sale, issuance and delivery costs of the Series 2018-C Bonds at the next occurring meeting of the District Board for which such information can be determined and presented in accordance with State law.

(f) The District Board hereby directs that following the sale and delivery of the Series 2018-C Bonds that an itemized summary of the costs of the sale, issuance and delivery costs of the Series 2018-C Bonds shall be provided to CDIAC. The District Board hereby determines that submission of such information as part of the filing of the Report of Final Sale for the Series 2018-C Bonds made to CDIAC pursuant to State law, including Government Code Section 8855, shall constitute compliance with the applicable requirements of Education Code Section 53509.5(b) and, as applicable, Education Code Section 15146(c)(2).

(g) The District Board hereby directs, as part of the authorization for issuance, sale and delivery of the Series 2018-C Bonds, that all necessary filings with CDIAC shall be completed by the District staff and/or its consultants on behalf of the District. This shall include annual filings of information with CDIAC as required under Government Code Section 8855(k). The District Board directs that confirmation of such filings shall be included in the transcript of agreements, resolutions, proceedings and documents prepared and delivered in connection with the issuance, sale and delivery of the Series 2018-C Bonds.

(h) As part of the consideration of this Resolution the District Board has received information from its Financial Advisor concerning matters described in Government Code Section 5852.1, which information is set out in Exhibit "D" attached hereto and incorporated herein by this reference.

(i) The District Board has been provided with a copy of the disclosure made by the proposed Underwriter in compliance with Rule G-17, adopted by the federal Municipal Securities Rulemaking Board (MSRB).

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

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

(b) The Superintendent of the District is hereby also authorized to retain such other and further consultants and services, including, but not limited to, printing services, legal services, assessment valuation information and independent pricing consultant services as are necessary or desirable to facilitate the issuance, sale and delivery of the Series 2018-C Bonds.

(c) The District Board authorizes the payment to the County of out-of-pocket expenses and other costs incurred by the County in connection with the County's support of, and participation in, the issuance, sale and delivery of the Series 2018-C Bonds.

(d) As may be provided under the terms of the Purchase Agreement, the Underwriter may be required to pay a portion of the costs of issuance from allocated funds as a condition to the purchase of the Series 2018-C Bonds. The District Board hereby authorizes a Designated Officer(s) to acknowledge any such Costs of Issuance Custodian Agreement(s), or equivalent agreement, involving U.S. Bank National Association or another bank or financial institution. As may be provided in such Purchase Agreement, amounts provided by the Underwriter for payment of costs of issuance shall be deposited thereunder and the payment of costs of issuance may be requisitioned by a Designated Officer(s) in accordance with such Purchase Agreement.

Section 21. Approval of Actions. All actions heretofore taken by officers, agents and consultants of the District with respect to the sale and issuance of the Series 2018-C Bonds are hereby approved, confirmed and ratified. The President and Clerk of the District Board and the Superintendent and the Designated Officer(s) are each authorized and directed in the name and on behalf of the District to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2018-C Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer shall be absent or unavailable.

Section 22. Other Actions. The President and Clerk of the District Board, and the Designated Officers of the District, are authorized and directed to execute all other documents and to take all actions necessary to cause or facilitate the issuance and delivery of the Series 2018-C Bonds.

Section 23. Partial Invalidity; Severability. If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution on the part of the District to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreement or portions thereof and shall in no way affect the validity of this Resolution or of the Series 2018-C Bonds; but the Bond owners shall retain all rights and benefits accorded to them under any applicable provisions of law. The District hereby declares that it would have approved this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series 2018-C Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

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

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

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

ADOPTED, SIGNED and **APPROVED** this 2nd day of October, 2018, by the Board of Education of the Temecula Valley Unified School District of the County of Riverside, State of California.

BOARD OF EDUCATION OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

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

ATTEST:

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Sandra Hinkson, Clerk of the Board of Education of the Temecula Valley Unified School District, do hereby certify that the foregoing resolution was duly adopted by the Board of Education of the Temecula Valley Unified School District at a meeting thereof held on the 2nd day of October, 2018, at which meeting a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law, and that such Resolution was so adopted by the following vote:

AYES: 4

NOES: 0

ABSTAIN: 0

ABSENT: 1

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Sandra Hinkson, Clerk of the Board of Education of the Temecula Valley Unified School District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 2018-19/13 of such Board and that the same has not been amended or repealed.

Dated this 2nd day of October, 2018.

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

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

PRELIMINARY OFFICIAL STATEMENT DATED __________, 2018

NEW ISSUE – FULL BOOK-ENTRY

RATINGS: (See "RATINGS" herein.)
Insured: [Moody's]: "__" [S&P]: "__"
Underlying: [Moody's]: "__"

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2018-C Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Series 2018-C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; although Bond Counsel observes that such interest is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018. In the further opinion of Bond Counsel, interest on the Series 2018-C Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2018-C Bonds. See "TAX MATTERS – Opinion of Bond Counsel" herein.

$[Principal Amount] *
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2018-C

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

This Official Statement describes the $[Principal Amount] Temecula Valley Unified School District General Obligation Bonds, 2012 Election, Series 2018-C (the "Series 2018-C Bonds"). The Series 2018-C Bonds are being issued by the County of Riverside (the "County"), on behalf of Temecula Valley Unified School District (the "School District"), to finance and make improvements to eligible public school facilities, to pay a portion of the interest on the Series 2018-C Bonds, and to pay certain costs of issuance of the Series 2018-C Bonds. See "THE SERIES 2018-C BONDS."

The Series 2018-C Bonds represent a general obligation of the School District and are secured by taxes levied against taxable property within the School District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon property within the School District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series 2018-C Bonds when due. Pursuant to a special election of the registered voters of the School District held on November 6, 2012, at least 55% of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $165,000,000 principal amount of general obligation bonds of the School District to finance authorized school facilities. See "INTRODUCTION – Sources of Payment for the Series 2018-C Bonds," "THE SERIES 2018-C BONDS – Security," and "TAX BASE FOR REPAYMENT OF SERIES 2018-C BONDS – *Ad Valorem* Property Taxation."

The Series 2018-C Bonds shall be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2018-C Bonds is payable on February 1, 2019, and thereafter on each February 1 and August 1 to maturity. Principal of the Series 2018-C Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2018-C Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company (collective referred to herein as "DTC"). Purchasers of beneficial ownership interests in the Series 2018-C Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Series 2018-C Bonds. Payment to registered owners of $1,000,000 or more in principal of Series 2018-C Bonds, at the registered owner's written request, will be by wire transfer to an account in the United States of America. Payments of principal of and interest on the Series 2018-C Bonds will be paid by U.S. Bank National Association, as Paying Agent, Registrar, Authentication Agent and Transfer Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Series 2018-C Bonds. (See "THE SERIES 2018-C BONDS – Book-Entry-Only System.")

The Series 2018-C Bonds are subject to optional redemption and mandatory redemption prior to maturity. See "THE SERIES 2018-C BONDS – Optional Redemption" and " – Mandatory Redemption."

The scheduled payment of principal of and interest on the Series 2018-C Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2018-C Bonds by **[INSURER]** ("[INSURER]" or the "Insurer").

[INSERT LOGO:]

[INSURER]

This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Series 2018-C Bonds. Potential investors must read the entire official statement to obtain information essential in making an informed investment decision.

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* Preliminary, subject to change.

$[Principal Amount]
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2018-C

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of, and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2018-C Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides information in connection with the sale of Temecula Valley Unified School District General Obligation Bonds, 2012 Election, Series 2018-C (the "Series 2018-C Bonds"), in the aggregate principal amount of $[Principal Amount]. The Series 2018-C Bonds consist of current interest bonds (the "Series 2018-C Bonds"), all as indicated on the inside front cover hereof, to be issued by the County of Riverside (the "County") on behalf of the Temecula Valley Unified School District (the "School District"). See "THE SERIES 2018-C BONDS."

The School District

The Temecula Valley Unified School District (the "School District"), a political subdivision of the State of California, was organized as a unified school district of the State of California (the "State") in 1989 and provides public education for grades kindergarten through twelve within an area of approximately 157 square miles located in the southwest portion of the County (includes approximately 9 square miles which was annexed from the Hemet Unified School District on July 1, 2015). As of October [__, 2018, for Fiscal Year 2018-19, the School District maintained school facilities, including [confirm: 17 elementary schools with an enrollment of approximately [_____, 6 middle schools with an enrollment of approximately [_____, 3 comprehensive high schools with an enrollment of approximately [_____, and 3 alternative education programs with an enrollment of approximately [____, 1 continuation high school with an enrollment of approximately [____, two charter schools with an enrollment of approximately [_____ and preschool, adult and non-public school special education with populations of approximately [____. Total enrollment was approximately [_______ students as of the California Longitudinal Pupil Achievement Data System ("CALPADS") (formerly California Basic Educational Data System ("CBEDS")) of October [__, 2018. The School District estimates funded average daily attendance in Fiscal Year 2018-19 of approximately _____[28,331] with a 2018-19 Fiscal Year Local Control Funding Formula ("LCFF") budget of approximately $______________ (as of the School District's initial budget, dated _____, 2018). For more complete information concerning the School District, including certain financial information, see APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE SCHOOL DISTRICT – Outstanding Debt; Financial Obligations." The School District's audited financial statements for the Fiscal Year ended June 30, 2017, are included as APPENDIX B and should be read in their entirety. The School District's audited financial statements for the Fiscal Year ended June 30, 2018, are expected to be available in _________.

Sources of Payment for the Series 2018-C Bonds

The Series 2018-C Bonds are general obligation bonds of the School District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the School District. The Board of Supervisors (the "Board of Supervisors") of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Series 2018-C Bonds and the interest thereon upon all property within the School District subject to taxation by the School District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Although the County is obligated to levy an *ad valorem* tax for the payment of the Series 2018-C Bonds and to make timely payment of the principal of and interest on the Series 2018-C Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Series 2018-C Bonds, the Series 2018-C Bonds are not a debt of the County. The School District received authorization at an election held on November 6, 2012 (the "2012 Authorization"), by an affirmative vote of approximately 64% of the votes cast by eligible voters within the School District (the "Authorization") to issue not to exceed $165,000,000 of general obligation bonds. The Series 2018-C Bonds are the third series of bonds issued under the Authorization. On March 7, 2013, the first series of bonds were issued under the Authorization in the amount of $34,995,069.55 (the "Series 2013-A Bonds"), leaving $130,004,930.45 of the Authorization remaining. On May 18, 2016, the second series of bonds were issued under the Authorization in the amount of 37,416,965.90 (the "Series 2016-B Bonds"), leaving $92,587,964.55 of the Authorization remaining. After issuance of the Series 2018-C Bonds, $__________ will remain unissued. See "THE SERIES 2018-C BONDS – Security" and "TAX BASE FOR REPAYMENT OF SERIES 2018-C BONDS – *Ad Valorem* Property Taxation."

Purpose of Issue

The proceeds of the Series 2018-C Bonds are authorized to be used to finance and make improvements to eligible public school facilities, to pay a portion of the interest on the Series 2018-C Bonds, and to pay certain costs of issuance of the Series 2018-C Bonds, including the premium for the Policy (defined below). See "THE SERIES 2018-C BONDS" herein.

Description of the Series 2018-C Bonds

Series 2018-C Bonds. The Series 2018-C Bonds will mature on August 1 in the years and in the amounts indicated on the inside cover page of this Official Statement.

Payments. Interest on the Series 2018-C Bonds accrues from the date of delivery of the Series 2018-C Bonds at the rates set forth on the inside cover page of this Official Statement and is payable semiannually on each February 1 and August 1, commencing February 1, 2019. The principal of the Series 2018-C Bonds is payable at maturity upon surrender of the Series 2018-C Bonds for payment. See "THE SERIES 2018-C BONDS – Payment" herein.

Registration. The Series 2018-C Bonds will be issued in fully registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be available to actual purchasers of the Series 2018-C Bonds (the "Beneficial Owners") in the denominations set forth on the cover page of this Official Statement, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2018-C Bonds. See "THE SERIES 2018-C BONDS – Book-Entry-Only System" and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM." In the event that the book-entry-only system described below is no longer used with respect to the Series 2018-C Bonds, the Series 2018-C Bonds will be registered in accordance with the Bond Resolution (as defined below). See "THE SERIES 2018-C BONDS – Registration, Transfer and Exchange of Series 2018-C Bonds."

Denominations. The Series 2018-C Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 principal, maturity or any integral multiple thereof.

Redemption. The Series 2018-C Bonds maturing on or before August 1, 20[__, are not subject to redemption. The Series 2018-C Bonds maturing on or after August 1, 20[__, may be redeemed before maturity, at the option of the School District, in whole or in part on any date on or after February 1, 20[__. The Series 2018-C Bonds are subject to mandatory sinking fund redemption prior to maturity. See "THE SERIES 2018-C BONDS – Optional Redemption" and " – Mandatory Redemption."

Bond Insurance. Concurrently with the issuance of the Series 2018-C Bonds, [Insurer] ("[INSURER]" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Series 2018-C Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2018-C Bonds when due as set forth in the form of the Policy included as APPENDIX I to this Official Statement. See "BOND INSURANCE."

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

Tax Exemption

In the opinion of Bond Counsel, subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2018-C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2018-C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Series 2018-C Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2018-C Bonds. For additional details, see "TAX MATTERS – Opinion of Bond Counsel."

Authority for Issuance of the Series 2018-C Bonds

The Series 2018-C Bonds are issued pursuant to certain provisions of the State Constitution, the California Government Code ("Government Code") and the California Education Code ("Education Code"), and other applicable law and pursuant to a resolution adopted by the Board of the School District on October [2], 2018 (the "School District Resolution") and a resolution adopted by the Board of Supervisors on October [16], 2018 (the "County Resolution" and together with the School District Resolution, the "Bond Resolution"). See "THE SERIES 2018-C BONDS – Authority for Issuance" herein.

Offering and Delivery of the Series 2018-C Bonds

The Series 2018-C Bonds are offered when, as and if issued, subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, Bond Counsel. It is anticipated that the Series 2018-C Bonds will be available for delivery through DTC on or about November [__], 2018.

Continuing Disclosure

The School District will agree for the benefit of current registered owners of any Series 2018-C Bonds (the "Owners") to make available certain financial information and operating data relating to the School District and to provide notices of the occurrence of certain enumerated events, in compliance with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of enumerated events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." See "OTHER LEGAL MATTERS – Continuing Disclosure" herein.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the School District with respect to the sale and delivery of the Series 2018-C Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, Irvine, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in APPENDIX D. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as Disclosure Counsel to the School District with respect to the Series 2018-C Bonds. Kutak Rock LLP, Irvine, California, is serving as Underwriter's Counsel. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Financial Advisor. U.S. Bank National Association, Los Angeles, California, is acting as the initial Paying Agent (the "Paying Agent") with respect to the Series 2018-C Bonds. Certain legal matters will be passed upon for the Insurer by its Associate General Counsel. The payment of fees and expenses of such firms with respect to the Series 2018-C Bonds is contingent on the sale and delivery of the Series 2018-C Bonds. The School District's financial statements for the Fiscal Year ended June 30, 2017, have been audited by Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2016-17."

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The School District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Agreement. Copies of documents referred to herein and information concerning the Series 2018-C Bonds are available from the Assistant Superintendent of Business Services, the Temecula Valley Unified School District, 31350 Rancho Vista Road, Temecula, California 92592, telephone number (951) 506-7940. The School District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2018-C Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information from sources other than the School District set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the School District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2018-C Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

THE SERIES 2018-C BONDS

Authority for Issuance

The Series 2018-C Bonds are issued pursuant to certain provisions of the State Constitution, the Government Code and the Education Code, and other applicable law and pursuant to the Bond Resolution. An election conducted within the boundaries of the School District was held on November 6, 2012, pursuant to the provisions of the "Safer Schools, Smaller Classes and Financial Accountability Act" (also known as "Proposition 39") and related State legislation. See "INTRODUCTION – Authority for Issuance of the Series 2018-C Bonds."

Security

The Board of Supervisors has the power to and is obligated to annually levy *ad valorem* taxes for the payment of the principal of and the interest on the Series 2018-C Bonds upon all property within the School District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Series 2018-C Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series 2018-C Bonds when due. Such taxes, when collected, will be deposited into the Series 2018-C Temecula Valley Unified School District Debt Service Fund (the "Debt Service Fund"), which is maintained by the County and is kept separate and distinct from all other School District and County funds and which is required by State law to be applied for the payment of principal of and interest on the Series 2018-C Bonds when due. The School District's general fund is not a source of repayment of the Series 2018-C Bonds. Although the County is obligated to levy an *ad valorem* tax for the payment of the Series 2018-C Bonds and to make timely payment of the principal of and interest on the Series 2018-C Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Series 2018-C Bonds, the Series 2018-C Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on and redemption premium, if any, on the Series 2018-C Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal, premium, if any, and interest to its Direct Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2018-C Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Series 2018-C Bonds will be determined by the relationship between the assessed valuation of taxable property in the School District and the amount of debt service due on the Series 2018-C Bonds in any year. Fluctuations in the annual debt service on the Series 2018-C Bonds and the assessed value of taxable property in the School District may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes) or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the School District and necessitate a corresponding increase in the annual tax rate. In future years, the School District expects to issue additional series of bonds up to the remaining Authorization and the School District may issue additional bonds for refunding purposes. Such additional bonds will be issued on a parity with all other general obligation bonds of the School District. For further information regarding the School District's assessed valuation, tax rates, overlapping debt and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF SERIES 2018-C BONDS" herein.

Statutory Lien on Ad Valorem Tax Revenues; California Senate Bill 222

Senate Bill 222 ("SB 222") was signed by the California Governor on July 13, 2015, and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 53515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by ad valorem tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Description of the Series 2018-C Bonds

The Series 2018-C Bonds shall be issued in denominations of $5,000 or any integral multiple thereof. The Series 2018-C Bonds are being issued as Series 2018-C Bonds, as further described herein. Interest on the Series 2018-C Bonds is payable on February 1, 2019, and thereafter on each February 1 and August 1 to maturity. Principal of the Series 2018-C Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2018-C Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive physical certificates representing their interests in the Series 2018-C Bonds. Principal of, premium, if any, and interest on the Series 2018-C Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry-only system. See " – Book-Entry-Only System" and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

See the Maturity Schedule on the inside cover for the maturity schedule of the Series 2018-C Bonds and "DEBT SERVICE SCHEDULE" for the debt service schedule for the Series 2018-C Bonds.

Book-Entry-Only System

The Depository Trust Company (defined above as "DTC") will act as securities depository for the Series 2018-C Bonds. The Series 2018-C Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2018-C Bond certificate will be issued for each maturity of the Series 2018-C Bonds, each in the aggregate principal amount or maturity value of such maturity, and will be deposited through the facilities of DTC. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

Paying Agent

U.S. Bank National Association, currently located in Los Angeles, California, will act as the initial registrar, transfer agent, authentication agent and paying agent for the Series 2018-C Bonds. As long as DTC is the registered owner of the Series 2018-C Bonds and DTC's book-entry method is used for the Series 2018-C Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC.

The Paying Agent, the School District, the County and the Underwriter of the Series 2018-C Bonds have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Series 2018-C Bonds.

Payment

Payment of interest on any Series 2018-C Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the close of business on the 15th day (whether or not such day is a business day) of the month immediately preceding such Bond Payment Date, (the "Record Date"), such interest to be paid by check mailed by first-class mail to such Owner on the Bond Payment Date at his or her address as it appears on such registration books on the Record Date. The Owner of an aggregate principal amount of Series 2018-C Bonds of $1,000,000 or more may request in writing, prior to the close of business on the Record Date, to the Paying Agent that such Owner be paid interest by wire transfer to the bank in the continental United States of America and account number on file with the Paying Agent as of the Record Date.

Payments of Principal and redemption premiums, if any, with respect to the Series 2018-C Bonds shall be payable at maturity or redemption upon surrender at the principal office of the Paying Agent or such other location as the Paying Agent shall designate to the County and the School District in writing. The interest, principal, and premiums, if any, on the Series 2018-C Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Series 2018-C Bonds when duly presented for payment at maturity and to cancel all Series 2018-C Bonds upon payment thereof. The Series 2018-C Bonds are general obligations of the School District secured by *ad valorem* tax revenues levied and collected pursuant to the California Constitution, the Authorization and State law and do not constitute an obligation of the County, except as provided in the Bond Resolution. No part of any fund of the County is pledged or obligated to the payment of the Series 2018-C Bonds.

Series 2018-C Bonds. The Series 2018-C Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on February 1, 2019, computed using a year of 360 days, comprising twelve 30-day months. Series 2018-C Bonds authenticated and registered on any date prior to the close of business on January 15, 2019, shall bear interest from their dated date. Series 2018-C Bonds authenticated during the period between the 15th day of the calendar month immediately preceding the Record Date and the close of business on that Interest Payment Date shall bear interest from that Interest Payment Date or unless it is authenticated on or before the Record Date prior to the initial Interest Payment Date, in which event it shall bear interest from the date of issuance. Any other Series 2018-C Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Series 2018-C Bond, interest is then in default on Outstanding Series 2018-C Bonds, such Series 2018-C Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Optional Redemption

The Series 2018-C Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior their respective stated maturity dates. The Series 2018-C Bonds maturing on or after August 1, 20__, are subject to optional redemption prior to their respective stated maturity dates, at the option of the School District, from any source of available funds, as a whole or in part, on any date on or after February 1, 20__, at a redemption price equal to the principal amount of the Series 2018-C Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Redemption

The $_________ term Series 2018-C Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium:

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

† Maturity.

The principal amount of any term Series 2018-C Bond to be redeemed in each year shown above will be reduced proportionately, in integral multiples of $5,000, by any portion of such term Series 2018-C Bond optionally redeemed prior to the mandatory sinking fund redemption date.

Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any mandatory sinking fund redemption of Series 2018-C Bonds, moneys in the Debt Service Fund may be used to purchase the Outstanding Series 2018-C Bonds that were to be redeemed with such funds in the manner provided in the Bond Resolution. Purchases of Outstanding Series 2018-C Bonds may be made by the School District or the County Treasurer through the Paying Agent prior to the selection of Series 2018-C Bonds for redemption at public or private sale as and when and at such prices as the School District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par, plus accrued interest.

Selection of Series 2018-C Bonds for Redemption

Whenever less than all the outstanding Series 2018-C Bonds are to be redeemed, the Paying Agent, upon written direction from the School District, shall select the Series 2018-C Bonds to be redeemed as so directed and if not so directed, in inverse order of maturity and within a maturity, the Paying Agent shall select the Series 2018-C Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Series 2018-C Bond to be redeemed in part shall be redeemed in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

While the Series 2018-C Bonds are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the School District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Series 2018-C Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Bond Resolution.

The Paying Agent shall give notice of the redemption (a "Redemption Notice") of the Series 2018-C Bonds at the expense of the School District. Such Redemption Notice shall specify: (a) the Series 2018-C Bonds or designated portions thereof (in the case of redemption of the Series 2018-C Bonds in part but not in whole) which are to be redeemed, (b) if less than all of the then-outstanding Series 2018-C Bonds are to be called for redemption, shall designate the numbers (or state that all Series 2018-C Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP® numbers, if any, of the Series 2018-C Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Series 2018-C Bonds and the specific Series 2018-C Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Series 2018-C Bond to be redeemed, the portion of the principal of such Series 2018-C Bond to be redeemed, together with the interest accrued to the redemption date, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue.

Any Redemption Notice shall be mailed, by first-class mail, postage prepaid, to the Owners of the Series 2018-C Bonds, to a Securities Depository and to a national information service, and by first-class mail, postage prepaid, to the School District and the County and the respective Owners of any registered Series 2018-C Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 20 days, but not more than 45 days, prior to the designated of redemption was originally given. The actual receipt by the Owner of any Series 2018-C Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. Neither the School District nor the Paying Agent will have any liability to the Owners of any Series 2018-C Bonds, or any other party, as a result of the School District's decision to rescind a redemption of any Series 2018-C Bonds pursuant to the provisions of the Bond Resolution.

Defeasance

All or any portion of the outstanding maturities of the Series 2018-C Bonds may be defeased at any time prior to maturity in the following ways:

a. Cash. By irrevocably depositing with a bank or trust company in escrow, an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all Series 2018-C Bonds outstanding and designated for defeasance, including all principal and interest and redemption premium, if any; or

b. Defeasance Obligations. By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Obligations (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series 2018-C Bonds outstanding and designated for defeasance (including all principal of, interest thereon and redemption premiums, if any), at or before their maturity date; then, notwithstanding that any of such Series 2018-C Bonds shall not have been surrendered for payment, all obligations of the School District and the County with respect to all such designated outstanding Series 2018-C Bonds shall cease and terminate, except for the obligation of the Paying Agent or an independent escrow agent selected by the School District to pay or cause to be paid from funds deposited pursuant to paragraph (a.) above or this paragraph (b.), to the Owners of such designated Series 2018-C Bonds not so surrendered and paid all sums due with respect thereto.

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

Registration, Transfer and Exchange of Series 2018-C Bonds

So long as any of the Series 2018-C Bonds remain outstanding, the School District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Series 2018-C Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Series 2018-C Bond is registered on the Bond Register shall be regarded as the absolute Owner of that redemption date; *provided* that neither failure to receive such notice, failure to send such notice and any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of such Series 2018-C Bonds nor entitle the Owner thereof to interest beyond the date given for redemption. Neither failure to receive or failure to send, any Redemption Notice, nor any defect in any such Redemption Notice, so mailed shall affect the sufficiency of the proceedings for the redemption of the affected Series 2018-C Bonds, nor entitle the Owner thereof to interest beyond the date given for redemption or affect the cessation of accrual of interest, as applicable, represented thereby from and after the redemption date. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Series 2018-C Bonds shall bear or include the CUSIP® number identifying, by issue and maturity, the Series 2018-C Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Series 2018-C Bonds

Upon the surrender of any Series 2018-C Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Series 2018-C Bond or Series 2018-C Bonds of like tenor and maturity and of authorized denominations equal to the unredeemed portion of the Series 2018-C Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the School District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given pursuant to the Bond Resolution, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Series 2018-C Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Series 2018-C Bonds to be redeemed as provided in the Bond Resolution; together with interest accrued to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Bond Resolution, then from and after such redemption date, interest with respect to the Series 2018-C Bonds to be redeemed shall cease to accrue. All money held for the redemption of Series 2018-C Bonds shall be held in trust for the account of the Owners of the Series 2018-C Bonds so to be redeemed.

All Series 2018-C Bonds paid at maturity or redeemed prior to maturity pursuant to the Bond Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the County or the School District. All or any portion of a Series 2018-C Bond purchased by the County or the School District shall be cancelled by the Paying Agent.

Any redemption notice may specify that redemption of the Series 2018-C Bonds designated for redemption on a specified date will be subject to the receipt by the School District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the School District, the County and the Paying Agent will have no liability to the Owners of any Series 2018-C Bonds, or any other party, as a result of the School District's failure to redeem the Series 2018-C Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the School District may rescind any optional redemption of the Series 2018-C Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Series 2018-C Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice

Series 2018-C Bond for all purposes of the Bond Resolution. Payment of or on account of the principal, premium, if any, of, and interest on any Series 2018-C Bond shall be made only to or upon the order of the Owner thereof; the School District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the School District's liability upon the Series 2018-C Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry-only system as described above is no longer used with respect to the Series 2018-C Bonds, the following provisions will govern the transfer and exchange of the Series 2018-C Bonds.

Any Series 2018-C Bond may be exchanged for Series 2018-C Bonds of like tenor, maturity and aggregate principal amount, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Series 2018-C Bond may (but only if the School District determines no longer to maintain the book-entry-only status of the Series 2018-C Bonds, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the School District to deliver certificated securities to particular DTC Participants) be transferred on the Bond Register only upon surrender of the Series 2018-C Bond for cancellation at the office of the Paying Agent accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Series 2018-C Bond or Series 2018-C Bonds of like tenor and of any authorized denomination or denominations requested by the Owner in the aggregate principal amount of the Series 2018-C Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Series 2018-C Bonds, the County shall sign and the Paying Agent shall authenticate and deliver Series 2018-C Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Series 2018-C Bonds issued upon any exchange or transfer shall be valid obligations of the School District, evidencing the same debt and entitled to the same security and benefit under the Bond Resolution as the Series 2018-C Bonds surrendered upon that exchange or transfer.

Any Series 2018-C Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The School District and the County may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Series 2018-C Bonds that the School District and the County may have acquired in any manner whatsoever, and those Series 2018-C Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Series 2018-C Bonds shall be made to the School District and the County by the Paying Agent and updated annually. The cancelled Series 2018-C Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the School District.

Neither the School District nor the Paying Agent will be required (a) to issue or transfer any Series 2018-C Bonds during a period beginning with the day after the Record Date next preceding any Interest Payment Date or beginning the date of selection of Series 2018-C Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given, as applicable, or (b) to transfer any Series 2018-C Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2018-C Bonds are expected to be applied as follows:

Sources:	
Principal Amount of Series 2018-C Bonds	$
Plus Net Original Issue Premium	
Total Sources	$
Uses:	
Building Fund	$
Debt Service Fund[1]	
Underwriter's Discount	
Costs of Issuance[2]	
Total Uses	$

(1) Represents capitalized interest on the Series 2018-C Bonds accrued through [February 1, 2019, and a portion of the interest on the Series 2018-C Bonds coming due on [August 1, 2019.

(2) A portion of the proceeds of the Series 2018-C Bonds will be used to pay costs of issuance, including, but not limited to, Bond Counsel and Disclosure Counsel fees, rating fees, County expenses, Paying Agent fees, bond insurance premium, printing costs and certain other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Series 2018-C Bonds (assuming no optional redemptions).

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

(1) *Interest payments on the Series 2018-C Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2019.*

Aggregate Debt Service Schedule. The following table shows the debt service schedule with respect to the remaining outstanding District general obligation bonds and the Series 2018-C Bonds (assuming no optional redemptions) through August 1 of each applicable year.

COMBINED DEBT SERVICE SCHEDULE

Period Ending August 1	Series 2004 Bonds	Series 2005 Bonds	Series 2013-A Bonds	Series 2016-B Bonds	Series 2018-C Bonds	Aggregate General Obligation Bonds Debt Service
2019	$2,216,750.00	$494,000.00	$1,091,025.00	$3,172,950.00	$	$6,974,725.00
2020	687,750.00	539,750.00	1,708,246.26	910,200.00		3,845,946.26
2021	–	797,500.00	1,758,246.26	910,200.00		3,465,946.26
2022	–	811,500.00	1,831,246.26	910,200.00		3,552,946.26
2023	–	823,250.00	1,911,246.26	910,200.00		3,644,696.26
2024	–	832,750.00	1,991,246.26	1,285,200.00		4,109,196.26
2025	–	840,000.00	2,081,246.26	1,435,200.00		4,356,446.26
2026	–	–	2,401,246.26	1,315,200.00		3,716,446.26
2027	–	–	2,495,246.26	1,370,200.00		3,865,446.26
2028	–	–	2,595,796.26	1,420,200.00		4,015,996.26
2029	–	–	2,696,421.26	1,475,200.00		4,171,621.26
2030	–	–	2,805,411.26	1,535,200.00		4,340,611.26
2031	–	–	2,917,736.26	1,600,200.00		4,517,936.26
2032	–	–	3,037,966.26	1,660,200.00		4,698,166.26
2033	–	–	3,155,456.26	1,730,200.00		4,885,656.26
2034	–	–	3,281,481.26	1,800,200.00		5,081,681.26
2035	–	–	3,413,281.26	1,870,200.00		5,283,481.26
2036	–	–	3,550,181.26	1,945,200.00		5,495,381.26
2037	–	–	3,693,487.50	2,020,200.00		5,713,687.5
2038	–	–	3,850,000.00	2,095,200.00		5,945,200.00
2039	–	–	4,007,500.00	2,175,200.00		6.182,700.00
2040	–	–	4,169,750.00	2,260,200.00		6,429,950.00
2041	–	–	4,335,750.00	2,350,200.00		6,685,950.00
2042	–	–	4,504,500.00	2,447,600.00		6,952,100.00
2043	–	–	–	6,833,800.00		6,833,800.00
2044	–	–	–	7,112,000.00		7,112,000.00
2045	–	–	–	7,394,400.00		7,394,400.00
Total	$2,904,500.00	$5,138,750.00	$69,283,713.92	$61,945,150.00	$	$139,272,113.92

APPLICATION OF PROCEEDS OF SERIES 2018-C BONDS

Building Fund

A portion of the proceeds from the sale of the Series 2018-C Bonds received by the School District shall be paid to the County to the credit of the fund known as the Temecula Valley Unified School District, Series 2018-C Bonds Building Fund (the "Building Fund") and shall be kept separate and distinct from all other School District and County funds. Such proceeds shall be used solely for authorized purposes which relate to the construction, rehabilitation, modernization or replacement of school facilities, which may include the furnishing and equipping of school facilities or the acquisition or lease of real property for schools or to the payment of certain costs of issuance of the Series 2018-C Bonds. Series 2018-C Bond proceeds may be used to reimburse the School District for eligible costs but Series 2018-C Bond proceeds are not expected to be applied to any reimbursements at this time. Any excess proceeds of the Series 2018-C Bonds not needed for the authorized purposes for which the Series 2018-C Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Series 2018-C Bonds. If, after payment in full of the Series 2018-C Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the School District. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

Premium received by the School District from the sale of the Series 2018-C Bonds shall be kept separate and apart in the Debt Service Fund and shall be used only for payment of a portion of the interest on the Series 2018-C Bonds. The *ad valorem* property taxes levied by the County for the payment of the Series 2018-C Bonds, when collected, will be deposited into the Debt Service Fund. The Series 2018-C Bonds shall be paid from the Debt Service Fund. Interest earnings on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the School District to pay principal of and interest on the Series 2018-C Bonds when due (subject to compliance with applicable federal tax code requirements).

Permitted Investments

The Treasurer and Tax Collector of the County (the "County Treasurer") is authorized to invest the proceeds of the sale of the Series 2018-C Bonds and all proceeds of taxes for payment of the Series 2018-C Bonds in the County Pooled Investment Fund (as defined below) into which the School District may lawfully invest its funds. Upon the written direction of the School District, the County Treasurer may invest Series 2018-C Bond proceeds or proceeds of taxes collected for payment of the Series 2018-C Bonds in any investment permitted by law, including, but not limited to investment agreements which comply with the requirements of each rating agency then rating the Series 2018-C Bonds necessary in order to maintain the then-current rating on the Series 2018-C Bonds or in the Local Agency Investment Fund established by the State Treasurer.

RIVERSIDE COUNTY TREASURY POOL

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

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

TAX BASE FOR REPAYMENT OF SERIES 2018-C BONDS

The information in this section describes ad valorem *property taxation, assessed valuation and other measures of or relating to the tax base of the School District. The Series 2018-C Bonds are payable solely from* ad valorem *taxes levied and collected by the County on taxable property in the School District. The School District's general fund is not a source for the repayment of the Series 2018-C Bonds.*

Ad Valorem Property Taxation

The collection of property taxes is significant to the Owners of the Series 2018-C Bonds and the School District in two respects. First, the County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the School District which are pledged specifically to the repayment of the Series 2018-C Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIIIA of the California Constitution and its implementing legislation is taken into account in connection with the State's LCFF, which determines the amount of funding received by the School District from the State to operate the School District's educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the School District from the State. The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographics. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System," and

APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System," and " – EFFECT OF STATE BUDGET ON REVENUES – 2018-19 State Budget" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Series 2018-C Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the School District.

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

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases of such entities may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES — Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" regarding dissolution of redevelopment agencies. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of 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 County Treasurer.

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

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the existence of successor agencies to redevelopment agencies or by similar entities which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values in the School District.

Assessed Valuations

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

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Series 2018-C Bonds are based upon the assessed valuation of the parcels of taxable property in the School District. Property taxes allocated to the School District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both the School District and County taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

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

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

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

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

Property within the School District had a total assessed valuation for Fiscal Year 2018-19 of $23,437,844,129. Table 1 below shows the assessed valuation in the School District for Fiscal Years 2003-04 through 2018-19.

Table 1
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS
FISCAL YEARS 2003-04 THROUGH 2018-19

Fiscal Year	Secured Valuation	Utility	Unsecured Valuation	Total	% Change
2003-04	$9,002,554,544	$385,192	$441,790,321	$9,414,730,057	N/A
2004-05	10,936,538,602	385,192	453,135,096	11,390,058,890	20.98%
2005-06	13,654,743,379	320,287	485,635,237	14,140,698,903	24.15
2006-07	16,197,715,970	413,258	510,313,742	16,708,442,970	18.16
2007-08	18,378,783,830	413,258	728,936,678	19,108,133,766	14.36
2008-09	17,959,502,121	413,258	1,066,461,844	19,026,377,223	(0.43)
2009-10	15,654,169,960	413,258	899,789,904	16,554,373,122	(12.99)
2010-11	15,448,859,227	413,258	875,022,353	16,324,294,838	(1.39)
2011-12	15,541,304,506	413,258	837,589,403	16,379,307,167	0.34
2012-13	15,578,491,680	229,241	886,621,071	16,465,341,992	0.53
2013-14	16,461,295,287	229,241	765,536,966	17,227,061,494	4.63
2014-15	18,058,337,592	229,241	759,083,642	18,817,650,475	9.23
2015-16	19,381,231,906	229,241	710,488,781	20,091,949,928	6.77
2016-17	20,406,215,387	229,241	783,032,964	21,189,477,592	5.46
2017-18	21,524,993,533	229,241	754,720,877	22,279,943,651	5.15
2018-19	22,669,369,782	285,651	768,188,696	23,437,844,129	5.20

Source: California Municipal Statistics, Inc.

Adjustments to Assessed Values. As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the School District's control, such as a general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought, fire, toxic contamination, dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Series 2018-C Bonds.

The State in recent years experienced a 5-year drought, however, from October 1, 2016 through the spring of 2017, most of the State experienced above-average rainfall. On April 7, 2017, Governor Brown issued an executive order which lifted the drought emergency in all California counties, except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects will continue to help address diminished groundwater supplies. In a related action, State agencies on

April 7, 2017, issued a plan to continue to make conservation a way of life in the State, as directed by Governor Brown in May 2016. The framework requires new legislation to establish long-term water conservation measures and improved planning for more frequent and severe droughts. As of March 1, 2018, urban areas of Southern California and areas in central California continue to experience largely dry conditions. The State's five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by Governor Brown. On May 31, 2018, the Governor signed Assembly Bill 1668 and Senate Bill 606, which impose new and expanded requirements on state water agencies and local water suppliers, including provisions for the establishment by the State Water Resources Control Board of long-term urban water use efficiency standards by June 30, 2022, and starting in 2027, authorization of fines for failure to comply with the State Water Resources Control Board's adopted long-term standards. The actions taken over the last several years are intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. The School District cannot predict if and when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to what extent any water reduction requirements may affect homeowners within the School District or their ability or willingness to pay Special Taxes.

Assessed Valuation by Land Use

Table 2 below provides a distribution of taxable property located in the School District on the 2018-19 tax roll by principal purpose for which the land is used, as measured by assessed value and number of parcels.

Table 2
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
ASSESSED VALUATION AND PARCELS BY LAND USE [1]
FISCAL YEAR 2018-19

	2018-19 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 479,639,962	2.12%	848	1.62%
Commercial/Industrial	3,993,592,583	17.62	1,769	3.38
Vacant Commercial/Industrial	298,855,605	1.32	511	0.98
Other Vacant/Miscellaneous	104,873,690	0.46	1,825	3.49
Subtotal Non-Residential	$4,876,961,840	21.51%	4,953	9.47%
Residential:				
Single Family Residence	$15,667,753,021	69.11%	40,558	77.51%
Condominium/Townhouse	740,640,481	3.27	2,941	5.62
Mobile Home/Lots	183,848,307	0.81	787	1.50
2-4 Residential Units	187,687,170	0.83	219	0.42
5+ Residential Units/Apartments	799,680,016	3.53	39	0.07
Miscellaneous Residential	1,007,546	0.00	3	0.01
Vacant Residential	211,791,401	0.93	2,826	5.40
Subtotal Residential	$17,792,407,942	78.49%	47,373	90.53%
Total	$22,669,369,782	100.00%	52,326	100.00

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

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes

Table 3 below shows the assessed valuation of single-family homes within the School District for tax year 2018-19.

Table 3
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
PER PARCEL FISCAL YEAR 2018-19
ASSESSED VALUATION OF SINGLE-FAMILY HOMES [1]

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	40,558	$15,667,753,021	$386,305	$371,686

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	53	0.131%	0.131%	$ 1,943,321	0.012%	0.012%
$50,000 - $99,999	225	0.555	0.685	17,636,018	0.113	0.125
$100,000 - $149,999	402	0.991	1.677	51,722,014	0.330	0.455
$150,000 - $199,999	1,820	4.487	6.164	328,142,992	2.094	2.549
$200,000 - $249,999	4,015	9.899	16.063	912,679,775	5.825	8.375
$250,000 - $299,999	4,994	12.313	28.377	1,375,158,396	8.777	17.152
$300,000 - $349,999	5,784	14.261	42.638	1,886,923,970	12.043	29.195
$350,000 - $399,999	6,787	16.734	59.372	2,542,620,172	16.228	45.423
$400,000 - $449,999	6,204	15.297	74.668	2,632,701,942	16.803	62.227
$450,000 - $499,999	4,240	10.454	85.123	2,004,724,066	12.795	75.022
$500,000 - $549,999	2,254	5.557	90.680	1,179,274,761	7.527	82.549
$550,000 - $599,999	1,287	3.173	93.853	736,562,638	4.701	87.250
$600,000 - $649,999	774	1.908	95.762	481,846,949	3.075	90.325
$650,000 - $699,999	461	1.137	96.898	310,141,880	1.979	92.305
$700,000 - $749,999	301	0.742	97.640	217,869,170	1.391	93.695
$750,000 - $799,999	197	0.486	98.126	152,367,506	0.972	94.668
$800,000 - $849,999	141	0.348	98.474	115,954,825	0.740	95.408
$850,000 - $899,999	92	0.227	98.701	80,414,126	0.513	95.921
$900,000 - $949,999	74	0.182	98.883	68,176,596	0.435	96.356
$950,000 - $999,999	70	0.173	99.056	68,195,561	0.435	96.792
$1,000,000 and greater	383	0.944	100.000	502,696,343	3.208	100.000
Total	40,558	100.000%		$15,667,753,021	100.000%	

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

Source: California Municipal Statistics, Inc.

Table 4 below shows the Assessed Valuation by Jurisdiction for the Fiscal Year 2018-19.

Table 4
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS BY JURISDICTION
FISCAL YEAR 2018-19 (1)

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Murrieta	$ 4,349,005	0.02%	$13,416,976,229	0.03%
City of Temecula	16,105,139,126	68.71	16,106,715,019	99.99
Unincorporated Riverside County	7,328,355,998	31.27	43,011,850,793	17.04
Total District	$23,437,844,129	100.00%		
Riverside County	$23,437,844,129	100.00%	$280,327,986,244	8.36%

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

Source: California Municipal Statistics, Inc.

Largest Property Owners

Table 5 below lists the 20 largest owners of taxable property within the School District as determined by secured assessed valuation for Fiscal Year 2018-19.

Table 5
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
20 LARGEST 2018-19 LOCAL SECURED TAXPAYERS
FISCAL YEAR 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Temecula Towne Center Associates	Shopping Center	$ 159,859,566	0.71%
2.	Abbott Cardiovascular Systems Inc.	Industrial	129,500,000	0.57
3.	Temecula Valley Hospital Inc.	Medical Buildings	106,042,329	0.47
4.	Cape May Temecula Apartments	Apartments	74,311,428	0.33
5.	Foothills at Old Town	Apartments	74,227,216	0.33
6.	Campanula Way Owner	Apartments	72,463,860	0.32
7.	Temecula Town Center Owner	Shopping Center	70,174,980	0.31
8.	Medline Industries Inc.	Industrial	63,636,154	0.28
9.	Inland Western Temecula Commons	Shopping Center	63,285,284	0.28
10.	Redhawk Towne Center II	Shopping Center	61,926,694	0.27
11.	Fairfield Solana Ridge	Apartments	58,267,529	0.26
12.	29605 Solana Way	Apartments	55,433,905	0.24
13.	LIPT Winchester Road Inc.	Shopping Center	53,868,468	0.24
14.	Kimco Palm Plaza	Shopping Center	52,515,015	0.23
15.	FG Temecula Senior Apartments	Apartments	51,230,440	0.23
16.	Temecula Creek Villas	Apartments	42,253,606	0.19
17.	MG Sage Canyon Apartments	Apartments	42,056,541	0.19
18.	MG Tuscany Ridge Apartments	Apartments	41,252,571	0.18
19.	Shearwater Communities	Apartments	39,038,447	0.17
20.	Temecula Ridge LP	Apartments	38,296,883	0.17
			$1,349,640,916	5.95%

(1) 2018-19 Local Secured Assessed Valuation: $22,669,369,782

Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Valuations

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

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

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

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the School District in the future. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Alternative Method of Tax Distribution – "Teeter Plan"

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

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The Board of Supervisors of the County adopted the Teeter Plan on June 29, 1993. The County's Teeter Plan applies to the School District and to the *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds. The School 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.

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

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

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan. The *ad valorem* taxes for payment of the Series 2018-C Bonds are included in the County's Teeter Program

Tax Levies, Collections, and Delinquencies

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted on or about June 30 of the fiscal year.

Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of 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 County Treasurer.

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

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

Table 6 below summarizes the annual secured tax charges for debt service within the School District and the amount delinquent as of June 30 for the previous five fiscal years. Under the terms of the County's Teeter Plan, the School District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

Table 6
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
SECURED TAX CHARGES AND DELINQUENCIES
FISCAL YEARS 2010-11 THROUGH 2017-18

Fiscal Year	Secured Tax Charge [1]	Delinquent Taxes Secured as of June 30	% Delinquent June 30
2010-11	$3,521,619.96	$98,381.20	2.79%
2011-12	3,866,024.54	80,723.11	2.09
2012-13	4,220,634.85	54,900.66	1.30
2013-14	6,008,859.87	68,432.06	1.14
2014-15	5,393,960.95	47,635.28	0.88
2015-16	5,267,993.97	37,826.94	0.72
2016-17	6,411,043.91	56,394.41	0.88
2017-18	7,018,346.81	39,295.99	0.56

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

Source: California Municipal Statistics, Inc.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2018-C Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2018-C Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the School District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, drought, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the School District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2018-C Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

There are a total of 144 tax rate areas in the School District. A representative tax rate area in the School District, Tax Rate Area 13-004, had a Fiscal Year 2017-18 assessed valuation of $2,888,358,071, which is 12.96% of the total School District's assessed valuation. Table 7 below shows the *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 13-004 within the School District from Fiscal Years 2013-14 through 2017-18. [The information for Fiscal Year 2018-19 is not yet available.]

Table 7
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
TYPICAL TOTAL *AD VALOREM* TAX RATES AS A PERCENTAGE OF ASSESSED VALUATION (TRA 13-004)
Fiscal Years 2013-14 through 2017-18 [1]

	2013-14	2014-15	2015-16	2016-17	2017-18
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Temecula Valley Unified School District	.03696	.03019	.02741	.03164	.03287
Mount San Jacinto Community College District	-	-	.01394	.01320	.01320
Eastern Municipal Water District I.D. U-8	.00300	.00300	.00300	.00200	.00200
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	1.04346%	1.03669%	1.04785%	1.05034%	1.05157%

[1] Fiscal Year 2018-19 not available as of October, 2018.
Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and Education Code law which permitted the Series 2018-C Bonds to be approved by a 55% popular vote, bonds approved pursuant to the 2012 Authorization may not be issued unless the School District projects that repayment of all outstanding bonds approved at such election will require an annual tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the School District at the time of issuance of the Series 2018-C Bonds, the School District projects that the maximum tax rate required to repay the Series 2018-C Bonds will be within that legal limit. This tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2018-C Bonds and any other series of bonds issued pursuant to the 2012 Authorization in each year.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report as of October 1, 2018 (the "Debt Report") with respect to the School District prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The School District and the Underwriter have not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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Table 8
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
AS OF OCTOBER 1, 2018

2018-19 Assessed Valuation: $23,437,844,129

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/18	
Metropolitan Water District	0.800%	$ 484,800	
Riverside County Flood Control and Water Control Zone No. 4	0.153	22,476	
Mount San Jacinto Community College District	25.710	44,388,315	
Temecula Valley Unified School District	**100.**	**72,567,036**	(1)
Temecula Valley Unified School District Community Facilities Districts	100.	83,850,000	
Eastern Municipal Water District, I.D. Nos. 22, 24 & U-8	0.113-92.937	3,475,427	
Eastern Municipal Water District Community Facilities Districts	100.	79,647,000	
City of Temecula Community Facilities Districts	100.	97,665,000	
Riverside County Community Facilities District No. 07-2	25.334	8,198,082	
City and Special District 1915 Act Bonds	100.	3,940,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$394,238,136	
OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	8.361%	$ 67,954,471	
Riverside County Pension Obligation Bonds	8.361	22,270,778	
City of Murrieta General Fund Obligations	0.032	4,126	
City of Temecula General Fund Obligations	99.990	18,671,133	
TOTAL OVERLAPPING GENERAL FUND DEBT		$108,900,508	
Less: Riverside County supported obligations		280,370	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$108,620,138	
OVERLAPPING TAX INCREMENT DEBT:			
Successor Agency to Riverside County Redevelopment Agency	0.310-1.460%	$ 2,264,982	
Successor Agency to Temecula Redevelopment Agency	100.	77,845,000	
TOTAL OVERLAPPING TAX INCREMENT DEBT		$80,109,982	
GROSS COMBINED TOTAL DEBT		$583,248,626	(2)
NET COMBINED TOTAL DEBT		$582,968,256	

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

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($72,567,036)............0.31%
Total Direct and Overlapping Tax and Assessment Debt............1.68%
Gross Combined Total Debt............2.49%
Net Combined Total Debt............2.49%

Ratios to Redevelopment Incremental Valuation ($1,981,202,124):
Overlapping Tax Increment Debt............4.04%

Source: California Municipal Statistics, Inc.

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

BOND INSURANCE

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

Bond Insurance Policy

[Include Insurer Disclosure Text]

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, Irvine, California, Bond Counsel ("Bond Counsel"), subject, however, to certain qualifications described herein, based upon an analysis of existing statutes, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal alternative minimum tax, but it is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the School District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2018-C Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement.

Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2018-C Bonds.

Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2018-C Bonds. The Resolution and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the 2018-C Bonds.

In the further opinion of Bond Counsel, interest on the Series 2018-C Bonds is exempt from State of California personal income taxation.

Owners of the Series 2018-C Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on the Series 2018-C Bonds may have federal or State tax consequences other than as described above. Bond Counsel expresses no opinion

regarding any federal or State tax consequences arising with respect to the Series 2018-C Bonds other than as expressly described above.

See APPENDIX D for the proposed form of opinion of Bond Counsel.

Bond Counsel's engagement with respect to the Series 2018-C Bonds ends with the issuance of the Series 2018-C Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the School District or the Beneficial Owners of the Series 2018-C Bonds regarding the tax-exempt status of the Series 2018-C Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the School District and its appointed counsel, including the Beneficial Owners of the Series 2018-C Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the School District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series 2018-C Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2018-C Bonds, and may cause the School District or the Beneficial Owners of the Series 2018-C Bonds to incur significant expense.

Original Issue Discount; Premium Bonds

The initial public offering prices of the Series 2018-C Bonds, may be less than the amount payable with respect to such Bonds at maturity. An amount not less than the difference between the initial public offering price of a Bond and the amount payable at the maturity of such Bond constitutes original issue discount. Original issue discount on a tax-exempt obligation, such as the Series 2018-C Bonds, accrues on a compounded basis. The amount of original issue discount that accrues to the owner of a Bond issued with original issue discount will be excludable from such owner's gross income and will increase the owner's adjusted basis in such Bond potentially affecting the amount of gain or loss realized upon the owner's sale or other disposition of such Bond. The amount of original issue discount that accrues in each year is not included as a tax preference for purposes of calculating alternative minimum taxable income and may therefore affect a taxpayer's alternative minimum tax liability. Consequently, taxpayers owning the Series 2018-C Bonds issued with original issue discount should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the taxpayer has not received cash attributable to such original issue discount in such year.

Owners should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount properly accruable with respect to the Series 2018-C Bonds, other federal income tax consequences of owning tax-exempt obligations with original issue discount and any state and local consequences of owning the Series 2018-C Bonds.

The Series 2018-C Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series 2018-C Bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However a purchaser's basis in a Premium Bond and, under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2018-C Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Series 2018-C Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2018-C Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2018-C Bonds. Prospective purchasers of the Series 2018-C Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement, under the above caption " –Opinion of Bond Counsel," interest on the Series 2018-C Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date such Series 2018-C Bonds were issued as a result of future acts or omissions of the School District in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Series 2018-C Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Bond Resolution.

Internal Revenue Service Audit of Municipal Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing or examination of tax-exempt securities issues, including both random and targeted audits. It is possible that the Series 2018-C Bonds will be selected for audit or examination by the Internal Revenue Service. It is also possible that the market value of the Series 2018-C Bonds might be affected as a result of such an audit of the Series 2018-C Bonds (or by an audit of similar bonds or securities).

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid on tax-exempt obligations, including the Series 2018-C Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing Series 2018-C Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2018-C Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the Internal Revenue Service. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Series 2018-C Bonds.

OTHER LEGAL MATTERS

Continuing Disclosure

The School District has covenanted for the benefit of owners and Beneficial Owners of the Series 2018-C Bonds to provide certain financial information and operating data relating to the School District (the "Annual Report") by not later than eight months following the end of the School District's fiscal year (which shall be March 1 of each year, so long as the School District's fiscal year ends on June 30), commencing with the report for the 2017-18 Fiscal Year (which will be due not later than March 1, 2019), and to provide notices of the occurrence of certain enumerated events. The Annual Reports will be filed by the School District with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access System ("EMMA") in an electronic format and accompanied by identifying information as prescribed by the MSRB. Any notices of enumerated events will be filed by the School District with the MSRB through the EMMA System. The specific nature of the information to be made available and to be contained in the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with the Rule.

A review of prior undertakings indicates that since October 1, 2018, the School District and community facilities districts formed by the School District did not identify any instances during the past five years in which the School District or a community facilities district has not complied in all material respects with its prior continuing disclosure undertakings under the Rule. The School District believes it has established procedures to facilitate making required filings on a timely basis.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinions of Bond Counsel, the proposed forms of which are attached hereto as APPENDIX D, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The rights of the Owners of the Series 2018-C Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Beneficial Owners of the Series 2018-C Bonds, and the obligations incurred by the School District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, the limitations on remedies against school and community college districts on the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Series 2018-C Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

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

The Bond Resolution and the State Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the School District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Series 2018-C Bonds. The County, on behalf of the School District, is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Series 2018-C Bonds and may invest these funds in the County's Treasury Pool, as described above. In the event the School District or the County were to enter into bankruptcy proceedings, a federal bankruptcy court might hold that the owners of the Series 2018-C Bonds are unsecured creditors with respect to any funds received by the School District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the respective Debt Service Funds, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Series 2018-C Bonds under the Owners of the Series 2018-C Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payment on the Series 2018-C Bonds.

Legality for Investment in California

Under provisions of the California Financial Code, the Series 2018-C Bonds are legal investments for commercial banks in California to the extent that the Series 2018-C Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Series 2018-C Bonds, and a certificate or certificates to that effect will be executed by a School District authorized officer at the time of the original delivery of the Series 2018-C Bonds. The School District is not aware of any litigation pending or threatened questioning the political existence of the School District or contesting the School District's ability to receive *ad valorem* taxes or contesting the School District's ability to issue and retire the Series 2018-C Bonds.

RATINGS

The Series 2018-C Bonds are expected to be assigned a rating of "[__" by [Moody's Investors Service ("[Moody's") with the understanding that, upon delivery of the Series 2018-C Bonds, the Policy will be issued by the Insurer. The Series 2018-C Bonds have been assigned an underlying rating of "[__" by Moody's. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same, through their websites. See "BOND INSURANCE" herein for a discussion of the rating assigned to the Insurer. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Some information provided to the rating agencies by the School District may not appear in this Official Statement. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely or placed under review or "Credit Alert" by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Series 2018-C Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed to purchase the Series 2018-C Bonds at a price of $__________, consisting of the principal amount of the Series 2018-C Bonds of $[Principal Amount], [plus/less a net premium/discount] of $__________, less an Underwriter's discount of $__________. The Bond Purchase Agreement relating to the Series 2018-C Bonds provides that the Underwriter will purchase all of the Series 2018-C Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. A predecessor investment banking firm to the Underwriter made contributions to an organization for the support of the passage of the Authorization.

The Underwriter may offer and sell Series 2018-C Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Series 2018-C Bonds, the Bond Resolution and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

By: ____________________________________

Timothy Ritter, Superintendent

APPENDIX A

INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET

Principal of and interest on the Series 2018-C Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. (See "THE SERIES 2018-C BONDS – Security" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 39, 98, 111, and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these constitutional and statutory measures on the ability of the County to levy taxes and of the School District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Series 2018-C Bonds. The tax levied by the County for payment of the Series 2018-C Bonds was approved by the School District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.

THE SCHOOL DISTRICT

The information in this section concerning the School District is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2018-C Bonds is payable from the general fund of the School District. The Series 2018-C Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the County on taxable property within the School District in an amount sufficient for the payment thereof. See "THE SERIES 2018-C BONDS – Security" herein.*

General Information

The Temecula Valley Unified School District (the "School District"), a political subdivision of the State of California, was organized as a unified school district of the State of California (the "State") in 1989 and provides public education for grades kindergarten through twelve within an area of approximately 213 square miles located in the southwest portion of Riverside County (the "County"). As ________, 2018, for Fiscal Year 2017-18, the School District maintained 31 school facilities, including 17 elementary schools with an enrollment of approximately 12,073, 6 middle schools with an enrollment of approximately 6,699, 3 comprehensive high schools with an enrollment of approximately 9,378, and 3 alternative education programs with an enrollment of approximately 127, 1 continuation high school with an enrollment of approximately 221, a K-12 preparatory school with an enrollment of approximately 1,053, a K-8 charter school with an enrollment of approximately 534 and non-public schools with an enrollment of approximately 25. The School District reported [________] [29,983] students (excluding charter schools) enrolled at the California Longitudinal Pupil Achievement Data System ("CALPADS") (formerly California Basic Educational Data System ("CBEDS")) for Fiscal Year [2017-18/2018-19]. For more complete information concerning the School District, including certain financial information, see APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE SCHOOL DISTRICT – Outstanding Debt; Financial Obligations." The School District's audited financial statements for the Fiscal Year ended [June 30, 2017, are included as APPENDIX B and should be read in their entirety.

Administration

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

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

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
Board of Education

Name	Office/Trustee Area	Current Term Expires
Dr. Kristi Rutz-Robbins	President, Trustee Area 5	December 2020
Sandy Hinkson	Clerk, Trustee Area 2	December 2018
Lee Darling	Board Member, Trustee Area 1	December 2020
Julie Farnbach	Board Member, Trustee Area 4 [1]	December 2018
Kevin Hill	Board Member, Trustee Area 4 [1]	December 2018

Superintendent and Administrative Personnel

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

Labor Relations

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

The teachers of the School District (certificated non-management personnel) are represented by the Temecula Valley Educators' Association ("TVEA"). The current contract for certificated personnel will expire on June 30, 20[__. As of June 30, 2018, the School District's certificated non-management employees had a total payroll of approximately $[______________, and for Fiscal Year 2018-19 have a budgeted total payroll of $[______________________.

[1] Two current Board members (Mrs. Farnbach and Mr. Hill) are within the same Trustee Area 4. A new Trustee Area 3 has been added representing the area of French Valley. In November 2018, voters will participate in elections for Trustee Areas 2, 3 and 4.

The California School Employees' Association ("CSEA") has been selected as the exclusive bargaining agent for non-teaching, non-management (classified) personnel. The current contract for the classified personnel will expire on June 30, 20[__. As of June 30, 2018, the School District's classified non-management employees had a total payroll of approximately $[________________, and for Fiscal Year 2018-19 have budgeted total payroll of $[_______________.

Management, supervisory and confidential personnel are comprised of certificated and classified personnel who are self-represented. The Superintendent and upper level management have employment contracts. As of June 30, 2018, the School District's management, supervisory and confidential employees had a total payroll of approximately $________, and for Fiscal Year 2018-19 have a budgeted total payroll of $[____________.

For Fiscal Year 2018-19, the estimated split among the number of certificated, classified and management employees is approximately [____% certificated, [___% classified and [___% management. Table A-1 below sets forth the number of certificated, classified and management employees employed by the School District for Fiscal Years 2011-12 through 2018-19.

Table A-1
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
EMPLOYEES
FISCAL YEARS 2011-12 THROUGH 20[18-19

Fiscal Year	Total FTE for Certificated Employees	Total FTE for Classified Employees	Total FTE for Management Employees	Total FTE for Employees
2011-12	1,353.5	766.1	84.5	2,204.1
2012-13	1,251.2	752.9	92.5	2,096.6
2013-14	1,277.5	803.7	109.8	2,191.0
2014-15	1,316.0	850.6	113.5	2,280.1
2015-16	1,350.3	846.7	117.4	2,331.7
2016-17	[1,421.2	[869.3	[116.5	[2,407.0
2017-18(1)	[1,389.4	[915.3	[113.0	[2,417.7
2018-19(2)	[1,343.95/1,411.6	[865.04/930.0	[107.41/11	[2,316.40/2,454.7

*FTE: Full-Time Equivalent.
(1) [________ [Second Interim.
(2) [Fiscal Year 2018-19 Budget.

Source: Temecula Valley Unified School District.

Retirement Programs

The School District participates in the State Teachers' Retirement System ("STRS"), which provides benefits to full-time certificated personnel. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The School District also participates in the State of California Public Employees Retirement System ("PERS") which provides benefits to full-time classified personnel and part-time employees who are employed more than 1,000 hours during the year. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws.

The School District's contributions in recent years, and budgeted contributions in Fiscal Year 2018-19, are set forth below:

Table A-2
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
SCHOOL DISTRICT CONTRIBUTIONS TO STRS AND PERS

Fiscal Year	STRS	PERS
2013-14	[$9,026,477	
2014-15	[16,731,976	
2015-16	[______	
2016-17	[16,760,050	
2017-18	[30,237,3536	
2018-19(1)	[34,150,773	

(1) Fiscal Year 2018-19 budget.

STRS. [Confirm: In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. The School District contribution rates are established by State statutes. In addition, participants are required to contribute to STRS. Participant contribution rates and benefits differ depending on whether an employee was hired on or before December 31, 2012 or on or after January 1, 2013 (see " – Pension Reform Act of 2013 (Assembly Bill 340)" herein). Employer contribution rates, including those of the School District, will increase through Fiscal Year 2020-21, as shown in the following table. Beginning Fiscal Year 2021-22, employer contribution rates will be set each year by the STRS Board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

Table A-3
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
OVERVIEW OF STRS CONTRIBUTION RATES

	A.B. 1469 Increases				
Effective Date	Prior Rate	Increase	Total	STRS Participant Required Contributions (Hired on or Before 12/31/2012 (Classic Members); 2% at 60 members)	STRS Participant Required Contributions (Hired on or After 1/1/2013 (New Members); 2% at 62 members)
July 1, 2017	8.25%	6.18%	14.43%	10.25%	9.205%
July 1, 2018	8.25	8.03	16.28	10.25	10.205
July 1, 2019	8.25	9.88	18.13	10.25	10.205(1)
July 1, 2020	8.25	10.85	19.10	10.25	10.205(1)

(1) Projected, subject to change.
Source: STRS Employer Directive 2018-02.

The State also contributes to STRS. The State's contributions are set pursuant to the Education Code. The State's contribution reflects a base contribution and a supplemental contribution that will vary from year to year based on statutory criteria. For Fiscal Year 2017-18, the State will contribute 6.828% of members' annual earnings to the defined benefit plan. The State also contributes an amount based on a percentage of annual member earnings into the STRS Supplemental Benefits Maintenance Account, which is used to maintain the purchasing power of benefits.

Interested persons may review the STRS website for details regarding its programs – http://www.calstrs.com. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

PERS. The School District also participates in PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System (defined above as "**PERS**"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. School districts are currently required to contribute to PERS at an actuarially determined rate. The information in the table below is derived from the PERS' Schools Pool Actuarial Valuation dated as of June 30, 2016. See " – Pension Reform Act of 2013 (Assembly Bill 340)" herein.

Table A-4
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
OVERVIEW OF PERS CONTRIBUTION RATES

Effective Date	PERS School District Statutory Contribution Rates	PERS Participant Required Contributions (Hired on or Before 12/31/2012; 2% at 55 members)	PERS Participant Contributions (Hired on or After 1/1/2013 (New Members); 2% at 62 members))
July 1, 2015	11.847%	7.0%	6.00%
July 1, 2016[1]	13.888	7.0	6.00
July 1, 2017[1]	15.531	7.0	6.50
July 1, 2018[2]	18.062	7.0	7.25
July 1, 2019[1]	20.800	7.0	7.25[3]
July 1, 2020[1]	23.500	7.0	7.25[3]

(1) Source: Schools Pool Actuarial Valuation as of June 30, 2016.
(2) Source: PERS website.
(3) Subject to change.

Interested persons may review the PERS website for details regarding its programs – http://www.calpers.ca.gov. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

Contribution rates to STRS and PERS vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on state-wide rates set by the STRS and PERS retirement boards. STRS has a substantial state-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share. The School District is unable to predict what the amounts of liabilities will be in the future, or the amount of future contributions that the School District may be required to pay. See APPENDIX D – "SCHOOL DISTRICT'S AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2016-17" for additional information concerning STRS and PERS contained in the notes to the financial statements.

Actuarial Valuations – STRS. The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, STRS investments lost substantial value at that time. STRS uses an averaging process that recognizes gains and losses over a three-year period, as a result of which the fund is still being affected by losses incurred during the market downturn. Due to the revised actuarial assumptions, among other factors, in May 2018, STRS announced that the funded status declined to 62.6% on a smoothed actuarial basis as of June 30, 2017, from 63.7% as of June 30, 2016, with the unfunded actuarial obligation increasing to $107.3 billion as of June 30, 2017 from $96.7 billion as of June 30, 2016. Contributions to STRS are generally adjusted by State law. The information herein has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

On February 1, 2017, the STRS Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016, actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017, actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor. Due to the revised actuarial assumptions, among other factors, as noted in the preceding paragraph the funded status declined to 62.6% on a smoothed actuarial basis as of June 30, 2017. Changes to the unfunded actuarial obligation affect the contributions by school districts, pan participants and the State in different ways.

In 2014, the Governor signed into law a comprehensive funding strategy to address the unfunded liability at STRS. Consistent with this strategy, the 2018-19 Budget (defined below) includes $3.1 billion State general fund in 2018-19 for STRS. The 2018-19 Budget indicates that the funding strategy positions STRS on a sustainable path forward, eliminating the unfunded liability in about 30 years.

Actuarial Valuations – PERS. The governing board of the PERS adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. In December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. Recent years have seen positive investment returns, however, on July 18, 2016, PERS reported a preliminary 0.61% return on investments for the 12-month period that ended June 30, 2016. The valuation for the period ending June 30, 2016, identified the level of funding for the PERS defined benefit program for schools at 71.9% of full funding. The market value of assets decreased from $56,814,247,327 to $55,784,854,423, the accrued liability increased from $73,324,977,003 to $77,543,827,270 and the unfunded accrued liability increased from $16,510,729,676 to $21,758,972,847.

PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification as the PERS governing board determines how to address the unfunded actuarial obligations. At its April 17, 2013, meeting, the PERS Board approved a change to the PERS amortization and smoothing policies. Beginning with the June 30, 2015, valuation, the newly adopted direct smoothing method would be used to set the 2015-16 rates for the State and Schools defined benefit plans. Under this new direct rate smoothing method, all gains and losses will be paid over a fixed 30-year period with the increases or decreases in the rate spread over a 5-year period. The PERS governing board periodically adopts new assumptions regarding the longer life expectancy of state retirees. The June 30, 2016, valuation notes that the changes to the demographic assumptions approved by the Board would be used to set the Fiscal Year 2016-17 contribution rate for School employers. The increase in liability due to the new actuarial assumptions is calculated in the 2016 actuarial valuation and amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. On December 21, 2016, the PERS governing board voted to lower the discount rate from 7.5% to 7.0% incrementally over the next three years (7.375% in 2017-18, 7.25% in 2018-19, and 7.0% in 2019-20). Lowering the discount rate, means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities.

At its February 13, 2018 meeting the PERS Board approved a recommendation to change the PERS amortization policy. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy will be used for the first time in the June 30, 2019, actuarial valuations.

In April 2018, the PERS Board approved increased school employer contribution rates for Fiscal Year 2018-19 to address the lowering of the discount rate and the continued phase-in of the effect of investment losses during the two-year period ending June 30, 2016 and various demographic changes. The information herein has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

Pension Reform Act of 2013 (Assembly Bill 340)

On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013 (the "Implementation Date"). For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which was $121,388 for 2018, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and school district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the School District anticipates that PEPRA would not increase the School District's future pension obligations, the School District is unable to determine the extent of any impact PEPRA would have on the School District's pension obligations at this time. Additionally, the School District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

GASB 67 and 68

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

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

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

The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

At Fiscal Year 2016-17 year end, the School District had an outstanding pension liability of $[__________, as a result of the adoption of GASB No. 68, Accounting Reporting for Pensions. The School District has recorded its proportionate share of net pension liabilities for STRS and PERS. The Fiscal Year 2017-18 year end outstanding pension liability [has] [has not] been calculated as of September [____________, 2018 [as $__________]. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2016-17 – [Note 14" attached hereto.

Post-Retirement Health Care Benefits

The School District provides other post-employment benefits ("OPEB"), in accordance with School District contracts, to eligible employees who retire from the School District with at least eight years of service as Assistant Superintendent or higher, *provided* that they remain retired under the provisions of STRS or PERS. The School District will pay the cost of a retiree-only HMO plan until the retired Assistant Superintendent or Superintendent is eligible to be covered by Medicare at which time the School District will pay the Medicare supplement costs for ten (10) years or until age 75. The School District's funding policy is based on the projected pay-as-you-go funding requirements. During Fiscal Years 2015-16 and 2016-17, the School District contributed $[_______ and $[_______, respectively. For Fiscal Year 2017-18, the School District contributed [$_________ and for Fiscal Year 2018-19, the School District budgeted [$_______ for retirees' healthcare benefits. [Fiscal Year 2018-19 includes recognition of the implicit rate subsidy as required by GASB 68.

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

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). Other post-employment benefits (meaning other than pension benefits) ("OPEB") generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The School District has not yet determined the impact of Statement Number 75 on its financial statements.

The contribution requirements of plan members and the School District are established and may be amended by the School District and the School District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. The School District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the School District.

[BRS/Bickmore Risk Services, _______, California, has prepared an actuarial valuation covering the School District's retiree health benefits and reports that, as of July 1, 2017, the School District had an accrued liability of [$__________ and, because the School District had not established an irrevocable trust for pre-funding any of its OPEB liability as of such date, its unfunded actuarial accrued liability was also $____________. As of the date of such report, the School District had [____ retirees receiving OPEBs and [____ active employees who may become eligible to retire and receive OPEBs. According to such actuarial valuation, the School District's annual required contribution for fiscal year 2016-17 was $[____________. For more information regarding the School District's annual required contribution and the School District's net OPEB obligation at June 30, 2017, see Note 14 to the School District's financial statements attached hereto as APPENDIX B "AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2016-17.

Supplemental Early Retirement Plans (SERP) and Early Retirement Incentives. [Update: For Fiscal Year 2010-11, the School District adopted an early retirement incentive that provided the School District contribute for a period of five years towards the cost of retiree medical, dental and vision insurance for certain eligible employees. The eligible employees had the option to waive their rights to payment toward retirement health benefits and instead receive cash in lieu of benefits payments. As of June 30, 2018, the balance of the obligation associated with the early retirement incentive was ________ [fully paid.

For Fiscal Year 2011-12, the School District adopted an early retirement incentive that provided eligible certificated employees with 100 percent of their salaries. Certificated employees who met the eligibility requirements and retired as of June 30, 2012, will receive the benefit for a period 60 months beginning July of 2012. As of June 30, 2018, the balance of the obligation associated with the early retirement incentive was $[____________.

Risk Management

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

During the year ended June 30, 2018, the School District made payments of [$____________, [$__________ and [$______9 to RSIA, SISC and JET, respectively.

Charter Schools

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

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

The School District approved a petition to establish an independent charter school within the boundaries of the School District: _______________Charter School, which opened in Fiscal Year 20__-__ ("[Charter School]"). Approximately _______ students were estimated to be enrolled in [Charter School] in Fiscal Year 2017-18 and approximately ______ students are estimated to be enrolled in [Charter School] in Fiscal Year 2018-19. Additionally, the School District currently has limited information about [Charter School]'s enrollment, and can provide no representation as to future enrollment or transfers of students from the School District to [Charter School].

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

EFFECT OF STATE BUDGET ON REVENUES

The information in this section concerning the State budget and State finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official *Statement that the principal of or interest on the Series 2018-C Bonds is payable from the general fund of the School District. The Series 2018-C Bonds are payable from the proceeds of an* ad valorem *tax required to be levied by the County in an amount sufficient for the payment of the Series 2018-C Bonds. See "THE SERIES 2018-C BONDS – Security" herein.*

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

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

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the 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 budget in a different way than is proposed in the Governor's Budget. In any event, it is possible that the Accountability Act could place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes. (See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES" and " – SCHOOL DISTRICT FINANCIAL INFORMATION" below.)

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

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

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs.

Because the School District's legal minimum funding level is not expected to be met from local property taxes alone, the School District budgeted receipt of general operating funds from the State in Fiscal Year 2017-18 and Fiscal Year 2018-19. The School District projects receipt of approximately $[223.4 million in local control funding from the State in Fiscal Year 2017-18 and receipt of approximately $[237.8 million in local control funding from the State in Fiscal Year 2018-19. The School District also projects receipt of approximately $[_____ million of Other State unrestricted funding in Fiscal Year 2018-19. Total State funding accounts for approximately [____ 96.9% of the School District's overall revenues. As a result, decrease or deferrals in State revenues, or in State legislative appropriations made to fund education may significantly affect School District operations.

Average Daily Attendance. As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. Table A-5 below sets forth the School District's enrollment and average daily attendance ("ADA"), for Fiscal Years 2013-14 through 2020-21.

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

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The following table shows a breakdown of the School District's ADA for purposes of the Local Control Funding Formula by grade span, total enrollment and the percentage of EL/LI student enrollment for Fiscal Years 2013-14 to 2020-21.

Table A-5
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
LOCAL CONTROL FUNDING FORMULA
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
FISCAL YEAR 2013-14 TO 2020-21

	Average Daily Attendance(1)					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment(2)
2013-14(3)	7,584.82	6,211.46	4,217.34	9,272.95	27,286.57/ 27,349	28,522	23.21%
2014-15(3)	7,564.47	6,158.85	4,107.60	9,323.74	[27,154.66/ 27,161	[28,477/28,479	22.81
2015-16(3)	7,553.20	6,166.57	4,150.35	9,268.44	27,138.56/ 27,161	[28,418/28,419	[26.26
2016-17(3)	7,541.75	6,106.38	4,184.14	9,225.85	27,058.12/ 27,145	[28,396/28,362	[26.26
2017-18(3)					[27,056.97/ 27.053	28,305	
2018-19(4)					[27,038.13/ 27,021	28,331	
2019-20(5)					[27,024.41		
2020-21(5)					[26,963.38		

(1) ADA is as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
(2) As of October report submitted to CALPADS. For purposes of calculating Supplemental and Concentration Grants, a school district's Fiscal Year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. [Discuss whether declining enrollment affects the foregoing.]
(3) Actual.
(4) Second Interim.
(5) Projected based on ___ % growth from Fiscal Year 2017-18 Second Interim.

Source: Temecula Valley Unified School District.

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

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

The following table sets forth the School District's actual, funded and projected ADA for Fiscal Years 2014-15 through 2019-20, the School District's projected target LCFF funding amounts at full implementation (which represents a combined total of base grant, K-3 class size reduction and supplemental grant funding, each calculated by grade span), projected annual LCFF allocation and gap funding for Fiscal Years 2014-15 through 2019-20. Funded ADA is the greater of current or prior year's ADA. Note the data assumes an unduplicated count of EL, FRPM and foster youth of 49.29% of enrollment for each of the projected fiscal years, based on current unduplicated counts which are projected to remain stable.

Table A-6
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
LOCAL CONTROL FUNDING FORMULA PROJECTIONS
FISCAL YEARS 2014-15 THROUGH 2019-20 (1)

Fiscal Year	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Funded ADA	27,287.18	27,160.51	27,145.08	27,064.60		
COLA	1.85%	[1.02%	[0.47%	[2.13%		
Total LCFF Target in Millions	$225.2	[$227.0	[$228.2	[$232.7		
Total LCFF Revenue in Millions	$185.1	[$206.5	[$217.1	[$223.9		

(1) Final, preliminary and projected figures for Fiscal Years 2014-15 through 2019-20. For purposes of calculating supplemental and concentration grants for Fiscal Year 2014-15, the percentage of unduplicated EL, FRPM, and foster youth enrollment is based on the two-year average of EL, FRPM, and foster youth enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL, FRPM and foster youth students will be based on a rolling average of such school district's EL, FRPM, and foster youth enrollment for the then-current Fiscal Year and the two immediately preceding Fiscal Years. This table assumes __.__% (not certified) and __.__% (certified) of School District enrollment is comprised of unduplicated EL, FRPM, and foster youth students for each of the Fiscal Years listed, based on [October 2, 2017], certified CALPADS. ADA as of the second principal reporting period (P-2 ADA).

Source: Temecula Valley Unified Union School District.

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. Prior to implementation in Fiscal Year 2013-14 of the Local Control Funding Formula, the primary source of funding for school districts was the revenue limit, which was a combination of State funds and local property taxes (See APPENDIX A –

"INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES — Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System – State Education Funding; Proposition 98.") Under the Local Control Funding Formula, State funds typically make up the majority of a school district's funding, as was the case under the previous revenue limit funding. In the past, school districts also received substantial funding from the State for various categorical programs. Commencing with Fiscal Year 2008-09, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wished. These flexibility provisions were extended for a number of years through legislation and the Local Control Funding Formula replaces revenue limit and most categorical program funding. Revenues received by the School District from all State sources accounted for approximately [__.__% of total general fund revenues in Fiscal Year 2015-16, approximately [__.__% of total general fund revenues in Fiscal Year 2016-17 and are estimated to account for approximately [__.__% of total general fund revenues in Fiscal Year 2017-18.

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

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

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

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

Investment Act of 2006 ("QEIA"), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

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

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

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

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

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

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

The School District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and neither the School District nor the Underwriter take any responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites.

2018-19 State Budget. On June 27, 2018, the Governor signed into law the State budget for Fiscal Year 2018-19 (the "2018-19 State Budget"). The following information is drawn from the Department of Finance's summary of the 2018-19 State Budget.

To protect against potential future economic recessions, the 2018-19 State Budget fully funds the Budget Stabilization Account ("BSA") with a total deposit of over $4.35 billion and adds two additional reserves to State law: the Budget Deficit Savings Account, intended to facilitate supplemental payments to continue to fully fund the BSA; and the Safety Net Reserve Fund, intended to protect against potential future cuts to certain health and welfare programs.

For Fiscal Year 2017-18, the 2018-19 State Budget projects total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $12.6 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 State Budget projects total general fund revenues of $133.3 billion and authorizes expenditures of $138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.7 billion, including $2.0 billion in the traditional general fund reserve and $13.8 billion in the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal 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 LIMITATIONS ON SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

For Fiscal Year 2018-19, the 2018-19 State Budget sets the minimum funding guarantee at $78.4 billion, reflecting a year-to-year increase of $2.8 billion. With respect to K-12 education, ongoing Proposition 98 per-pupil expenditures in Fiscal Year 2018-19 are set at $11,640. Other significant features with respect to K-12 education funding include the following:

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies with students who (1) perform at the lowest levels on the State's academic assessments, and (2) do not generate supplemental LCFF funds or State or federal special education resources.

- *State System of Support* – An increase of $57.8 million in Proposition 98 funding for county offices of education to provide technical assistance to local educational agencies.

- *Multi-Tiered Systems of Support (MTSS)* – $15 million in one-time Proposition 98 funding to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.

- *California Collaborative for Educational Excellence* – $13.3 million in one-time Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") and a co-lead county office of education to help build capacity for community engagement in the LCAP process, as well as $11.5 million in Proposition 98 funding to support the Collaborative in its role within the statewide system of support.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing 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, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 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.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs with $50 million aimed at preparing and retaining special education teachers and $25 million aimed at bilingual and STEM teachers; and $50 million in onetime Proposition 98 funding to provide one-time competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Charter School Facility Grant Program* – $21.1 million one-time and $24.8 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to increase opportunities for students in after-school programs to access computer coding education.

- *Fire-Related Support* – $4.4 million Proposition 98 funding over two years in property tax relief to schools impacted by the fires in Northern and Southern California in 2017, and an additional $25 million Proposition 98 funding relief through the LCFF. The 201819 Budget also holds harmless the ADA used in calculating the LCFF for these counties for three years.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed school districts, specifically those with a qualified interim budget status.

For additional information regarding the 2018-19 State 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 Budget Impacts. The School 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 School 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. The School District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2018-C Bonds, and the School District takes no responsibility for informing owners of the Series 2018-C Bonds as to actions the State Legislature or Governor may take affecting a budget after its adoption. The Series 2018-C Bonds, however, are not payable from such revenue. The 2018-C Bonds will be payable solely from the proceeds of an *ad valorem* property tax which is required to be levied by the County in an amount sufficient for the payment thereof. 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 School District. Information about the State budget and State spending for education is regularly available at various State-maintained websites. See, " – EFFECT OF STATE BUDGET ON REVENUES – *Information regarding State Education Spending" above.*

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

Limitation on School District Reserves. Included in the 2014-15 State Budget trailer bills was a provision which caps the amount of money school districts may set aside for economic crises if state-level reserves reach certain levels if the State electorate approved the Rainy Day Fund, which the electorate did approve. The School District is in compliance with the requirement. On October 11, 2017, the Governor signed new legislation ("SB 751") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap. The School District cannot predict if or when the reserve cap enacted by SB 751 will be triggered and what impact it may have on the School District's reserves.

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

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

Tax increment revenues that would have been directed to redevelopment agencies will be distributed to make "Pass-Through Payments" to local agencies that they would have received under prior law and to successor agencies for retirement of the redevelopment agencies' debts and for limited administrative costs. The remaining revenues will be distributed as property tax revenues to cities, counties, school districts, community college districts and special districts. The School District cannot predict whether, or to what extent, the elimination of redevelopment agencies will affect the Pass-Through Payments or whether amounts received will be offset against other funds the State would otherwise have paid to the School District. See "THE SERIES 2018-C BONDS – Security."

The School District entered into agreements with several redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 *et seq.*) (generally, "Redevelopment Agencies"), pursuant to which the School District has, in the past, received "pass-through" tax increment revenues (the "Redevelopment Revenues"). The School District has projected the receipt of $[__________ in Redevelopment Revenues with respect to agreements entered into in the past with the City of Temecula and Riverside County redevelopment agencies in Fiscal Year 2017-18.

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

SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the School District and the School 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 Series 2018-C Bonds is payable from the general fund of the School District. The Series 2018-C Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE SERIES 2018-C BONDS – Security" herein.*

Accounting Practices

The accounting practices of the School District conform to generally accepted accounting principles in accordance *with* policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Significant accounting policies followed by the School District are explained in Note 1 to the School District's audited financial statements for the Fiscal Year ended June 30, 2017, which are included as APPENDIX B.

The School 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 School District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The School 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 School District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The School District's general fund finances the legally authorized activities of the School 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 School District for the Fiscal Year ended June 30, 2017, and prior fiscal years are on file with the School District and available for public inspection at the office of the Superintendent of the Temecula Valley Unified School District, 31350 Rancho Vista Road, Temecula, California 92592, telephone number (951) 506-7940. The audited financial statements for the year ended June 30, 2017, are included in APPENDIX B herein.

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

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The following table shows information from the School District's audited financial statements for the Fiscal Years 2012-13 through 2016-17.

Table A-7
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS

BALANCE SHEET – GENERAL FUND

	AUDITED 2012-13	AUDITED 2013-14	AUDITED 2014-15	AUDITED 2015-16	AUDITED 2016-17
Assets					
Deposits and Investments	$16,780,750	$13,654,161	$25,502,953	$36,320,889	$45,913,092
Receivables	39,303,605	38,260,533	6,739,730	7,084,451	6,963,339
Due from Other Funds	318,694	314,454	296,661	319,469	329,031
Prepaid Expenditures	19,741	24,663	61,962	84,170	1,868,101
Stores Inventory	83,496	73,035	59,316	71,263	45,079
TOTAL ASSETS	$56,506,286	$52,326,846	$32,660,622	$43,880,242	$55,118,642
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$9,061,020	$23,692,741	$7,635,659	$6,201,126	$16,256,557
Due to Other Funds	2,373,050	6,004,829	2,050,140	2,885,490	2,890,292
Other Current Liabilities	22,355,000	0	0	0	0
Deferred Revenue	95,379	91,258	102,400	1,209,852	2,948,396
TOTAL LIABILITIES	$33,884,449	$29,788,828	$9,788,199	$10,296,468	$22,095,245
Fund Balance (1)					
Nonspendable	$153,237	$147,697	$171,278	$205,433	$1,963,180
Restricted	3,153,895	5,997,173	3,953,281	5,182,477	3,432,430
Committed	0	1,433,883	1,172,065	9,409,437	380,387
Assigned	13,151,009	8,525,382	10,611,331	10,931,470	18,883,758
Unassigned	6,163,696	6,433,883	6,964,468	7,854,957	8,363,642
Reserved:					
Revolving Cash	0	0	0	0	0
Stores Inventories	0	0	0	0	0
Prepaid Expenditures	0	0	0	0	0
Reserve for all others	0	0	0	0	0
Restricted Programs	0	0	0	0	0
Unreserved:					
Designated	0	0	0	0	0
Undesignated, reported in:					
Debt Service Funds	0	0	0	0	0
TOTAL FUND BALANCE	$22,621,837	$22,538,018	$22,872,423	$33,583,774	$33,023,397
TOTAL LIABILITIES AND FUND BALANCE	$56,506,286	$52,326,846	$32,660,622	$43,880,242	$55,118,642

(1) New fund balance definitions were implemented in 2010-11, including Nonspendable, Restricted, Assigned and Unassigned.
Source: Temecula Valley Unified School District audited financial statements.

Comparative Financial Statements. The following table reflects the School District's general fund revenues, expenditures and changes in fund balance for Fiscal Year 2012-13 through Fiscal Year 2016-17. The School District's audited financial statements for Fiscal Year 2016-17 are included as APPENDIX B hereto.

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Table A-8
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -- GENERAL FUND
FOR FISCAL YEARS ENDING JUNE 30, 2013, THROUGH JUNE 30, 2017[1]
[Discuss what may be available: **AND UNAUDITED ACTUALS FOR FISCAL YEAR ENDING JUNE 30, 2018]**

	Audited Actuals 2012-13	Audited Actuals 2013-14	Audited Actuals 2014-15	Audited Actuals 2015-16	Audited Actuals 2016-17	Unaudited Actuals 2017-18
Revenue						
LCFF/Revenue limit sources	$147,291,145	$168,131,310	$184,989,030	$206,725,651	$217,639,748	$223,311,535
Federal sources	9,855,385	8,488,360	8,361,810	8,445,466	8,797,799	8,564,663
Other State sources	26,444,443	33,657,709	30,176,132	47,408,786	39,694,057	40,061,502
Other local sources	23,429,907	8,850,101	8,956,362	9,849,918	10,689,844	11,755,536
Total Revenues	$207,020,880	$219,127,480	$232,483,334	$272,429,821	$276,821,448	$283,693,236
Expenditures						
Instruction	$144,562,430	$148,235,331	$155,726,925	$176,954,091	$190,342,018	
Instruction – Related Services:						
Supervision of instruction	4,601,375	5,109,977	5,614,722	5,918,260	6,387,366	
Instructional library, media and technology	2,767,848	2,895,073	3,285,681	3,318,692	3,361,511	
School site administration	10,039,831	10,741,215	11,355,935	12,896,588	12,894,826	
Pupil Services:						
Home-to-school transportation	4,482,421	4,368,015	4,740,052	5,438,651	5,467,487	
Food services	0	0	0	0	8,493	
All other pupil services	11,329,680	11,481,687	12,874,590	14,626,333	15,412,871	
Administration:						
Data processing services	1,470,986	1,851,856	1,905,818	2,306,579	2,389,073	
Other general administration	7,719,890	8,892,501	9,842,872	10,402,331	11,858,172	
Plant services	17,610,194	20,203,225	21,372,239	23,057,339	22,985,993	
Facilities acquisition and construction	508,596	49,938	26,582	217,081	169,184	
Ancillary services	1,194,959	1,428,088	194,084	233,037	397,245	
Community services	175,385	213,856	338,155	395,304	336,203	
Other outgo	49,998	748,287	578,647	650,208	424,069	
Enterprise activities	1,769,470	1,978,972	2,212,431	2,571,987	2,821,850	
Debt Service						
Principal	38,869	0	0	0	48,264	
Interest and other	466,075	338,789	36,594	0	135,322	
Total Expenditures	$208,788,007	$218,535,810	$230,105,327	$258,986,481	$275,439,947	$269,052,012
Excess (Deficiency) of Revenues Over (Under) Expenditures	($1,767,127)	$591,670	$2,378,007	$13,443,340	$1,381,501	
Other Financing Sources (Uses)						
Transfers in	$ 0	$ 1,375,271	$ 0	$ 0	$ 0	
Other sources – capital lease	0	0	0	113,405	179,833	
Transfers out	(2,361,930)	(2,050,760)	(2,043,602)	(2,845,394)	(2,121,711)	
Net Financing Sources (Uses)	($2,361,930)	($675,489)	($2,043,602)	($2,731,989)	($1,941,878)	
Net Change in Fund Balances	($4,129,057)	($83,819)	$334,405	$10,711,351	($560,377)	
Fund Balance – Beginning	$26,750,894	$22,621,837	$22,538,018	$22,872,423	$33,583,774	$31,806,110
Fund Balance – Ending	$22,621,837	$22,538,018	$22,872,423	$33,583,774	$33,023,397	$43,537,650

[1] *Commencing with Fiscal Year 2009-10, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wish. These flexibility provisions have been extended for seven years, 2008-09 through 2014-15 by Education Code Section 42605.*
Source: Temecula Valley Unified School District.

Budget Process and County Review

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

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

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

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

The School District's most recent Interim Financial Report has received a "positive" certification pursuant to AB 1200. [Confirm: During the preceding 5 years, the School District received a "qualified certification from the first Interim Report for Fiscal Year 2016-17 through the first Interim Financial Report for Fiscal Year 2017-18, but otherwise received a "positive" certification.] The School District cannot predict and will have no control over the outcome of any changes to the 2018-19 State Budget or how the 2018-19 State Budget will ultimately affect the funding of K-12 school districts. The Series 2018-C Bonds are payable from the proceeds of an *ad valorem* tax required to be levied by the County in an amount sufficient for the payment of the Series 2018-C Bonds and are not dependent upon receipt of moneys from the State. See "THE SERIES 2018-C BONDS – Security" herein.

Full implementation of the LCFF has occurred over a period of several years, during which an annual transition adjustment was calculated for each district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. Full implementation of the LCFF is expected to occur in 2018-19. For a complete discussion of the LCFF implementation plan, see APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET — EFFECT OF STATE BUDGET ON REVENUES – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" herein. However, in the absence of either the full implementation of the LCFF as currently projected by the State or a reduction of general fund expenditures, there can be no assurances that the School District will have positive ending fund balances in future years.

General Fund Budget

The following table shows information from the School District's adopted budgets and audited financial statements for the Fiscal Year 2016-17, from the School District's adopted budget and 2nd Interim Report for Fiscal Year 2017-18, the School District's adopted budget for Fiscal Year 2018-19.

Table A-9
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGET – FISCAL YEARS 2015-16 THROUGH 2018-19

	2015-16 Original Adopted Budget	2015-16 Audited Actuals	2016-17 Original Adopted Budget	2016-17 Audited Actuals	2017-18 Original Adopted Budget	2017-18 2nd Interim Report	2018-19 Original Adopted Budget
Revenues							
LCFF Sources	$206,710,789	$206,578,157	$217,448,824	$217,462,172	$222,362,068	$223,342,161	$237,788,882
Federal Revenue	286,024	8,497,903	8,033,708	8,828,903	8,320,771	311,571	9,239,203
Other State Sources	21,029,232	46,355,298	40,267,541	39,738,778	37,150,127	9,222,125	46,368,885
Other Local Revenue	4,821,494	9,404,073	8,166,470	9,978,004	9,121,425	8,080,944	10,434,179
Contributions	0	0	0	0	0	(45,815,445)	0
Total Revenues	$232,847,539	$270,835,431[1]	$273,916,543	$276,007,857	$276,954,391	$195,141,346	$303,831,149
Expenditures							
Certificated Salaries	$107,494,177	$131,996,409	$140,378,963	$134,726,572	$138,193,251	$108,571,296	$141,191,875
Classified Salaries	25,775,707	43,620,104	47,130,926	45,936,096	45,566,592	26,202,284	48,591,366
Employee Benefits	32,900,204	50,793,672	59,787,511	59,165,186	64,891,633	39,931,556	69,436,396
Books and Supplies	6,084,516	13,156,745	12,619,755	16,335,216	13,630,446	4,788,976	14,158,571
Services & Other Oper. Exp.	14,692,238	20,189,978	19,197,498	21,174,769	20,478,020	13,560,360	19,461,404
Capital Outlay	408,474.00	1,049,368	280,000	847,332	494,500	233,065	1,576,580
Other Outgo	40,000	357,382	699,535	243,869	551,535	86,376	488,176
Transfers of Indirect/Direct Costs [Other Outgo]	(621,777)	0	(313,307)	0	(338,912)	(3,543,074)	(381,803)
Total Expenditures	$186,773,539	$261,163,658[1]	$279,780,881	$278,429,040	$283,467,065	$189,830,839	$294,522,565
Excess (deficiency) of Revenue over (under) Expenditures	$46,074,000	$9,671,773	$5,864,338	($2,421,183)	($6,512,674)	$5,310,507	$9,308,584
Other Financing Sources/Uses							
Other sources – capital lease	$0	$226,810	$0	$86,213	$0	$0	$0
Transfer In	0	0	0	0	0	0	0
Transfers Out	(5,000)	(2,847,238)	(3,284,055)	(3,309,311)	(2,750,000)	0	(2,750,000)
Contributions	0	0	0	0	0	0	0
Total Other Financing Sources/Uses	($5,000)	($2,620,428)	($3,284,055)	($3,223,098)	($2,750,000)	$0	($2,750,000)
Net Change in Fund Balance	$10,207,214	$7,051,345	($9,148,393)	($5,644,281)	($9,262,674)	$5,310,507	$6,558,584
Fund Balance -- Beginning	$19,176,910	$22,872,423	$30,232,617	$33,583,774	$27,939,493	$28,373,680	$39,078,936
Fund Balance – Ending	$29,384,124	$29,923,768	$21,084,224	$27,939,493	$18,676,819	$33,684,186	$45,637,520

Source: Temecula Valley Unified School District.

Revenue Sources

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

LCFF Sources. In Fiscal Year 2013-14, the State implemented a new funding system, referred to as "Local Control Funding Formula." Funding of the School District's local control funding is provided by a mix of local property taxes and State aid. Local Control Funding Formula revenues are expected to comprise approximately __.__ of the School District's general fund revenues in 2018-19. The School District anticipates that it will receive approximately $__.__ million in base grant funding and $__.__ million in supplemental grant funding. The School District also anticipates receiving additional moneys for transportation, the K-3 GSA grant and the 9-12 augmentation. See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES – 2018-19 State Budget" and " – EFFECT OF STATE BUDGET ON REVENUES –State Education Funding; Proposition 98" above.

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

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

Federal Revenues. The federal government provides funding for several School District programs, including special education programs, programs under the Every Student Succeeds Act enacted in 2015, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately __.__% of such revenues in 2018-19.

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

Some of the Other State Revenues are restricted to specific types of program uses, such as special education. These Other State Revenues are primarily restricted revenues funding items such as the Special Education Master Plan, California Clean Energy Jobs Act and State on behalf contributions to STRS. Other State Revenues, including State Lottery Revenue, comprised approximately __.__% of general fund revenues in 2016-17, __.__% of general fund revenues in 2017-18 and are budgeted to equal approximately __.__% of such revenues in 2018-19. In prior fiscal years, some of the foregoing revenues were included in the financial statements set forth in [confirm row caption various years: Table A-8 in the row captioned LCFF/Revenue limit sources and in Table A-9 in the row captioned "LCFF Sources."

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues comprised a nominal amount (less than 2%) of general fund revenues in 2016-17 and 2017-18 and are budgeted to equal approximately the same amount of such revenues in 2018-19.

Other Local Revenues. In addition to property taxes, the School District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, Special Education Local Plan Area ("SELPA") apportionments and other local sources. Other local revenues comprised approximately __.__% of general fund revenues in 2016-17, __.__% of general fund revenues in 2017-18 and are budgeted to equal approximately __.__% of general fund revenues in 2018-19.

Developer Fees. [Discuss: The School District levies fees on developers to meet pupil housing needs. Expenditures are restricted to purposes specified in State statutes or to the items specified in agreements with the applicable developer. Annual collections vary from year to year and have ranged from nominal amounts to approximately $__.__ million during the last 5 years.

Redevelopment Revenues. *See* " – Dissolution of Redevelopment Agencies" above regarding the dissolution of redevelopment agencies. The School District has projected the receipt of $[__________ in Redevelopment Revenues with respect to agreements entered into in the past with the City of Temecula and Riverside County redevelopment agencies in Fiscal Year 2017-18.

School District Debt Structure

Short-Term Debt; Tax and Revenue Anticipation Notes

[Review/Update: The School District currently has no tax and revenue anticipation notes ("TRANS") outstanding.] [The School District issued $____________ of TRANS on or about [July 1, 2018], to supplement cash flow.

Outstanding Debt; Financial Obligations

As of [June 30, 2018], the School District had [$__________ of long-term debt outstanding (not including debt of Mello-Roos community facilities districts (the "CFDs") within the School District). The debt of the CFDs is payable from special taxes levied on the taxable property within those districts; and the School District's general obligation debt, including the Series 2018-C Bonds, is payable from *ad valorem* taxes levied on the taxable property within the School District and not from general revenues of the School District. The School District leases equipment, portable classrooms and school buses pursuant to capital leases.

A schedule of changes in long-term debt for the Fiscal Year ended June 30, 2017, is set forth in the table below [Is an update for 2017-18 available?:

Table A-10
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT AS JUNE 30, 2017
(Excludes CFD Obligations)
[update Table]

	Balance as of June 30, 2016	Additions	Deductions	Balance as of June 30, 2017	Amount Due in One Year
General Obligation Bonds	$88,009,769	$921,264	$3,460,000	$85,471,033	$4,915,000
Premium on issuance	5,681,471	-	539,910	5,141,561	-
TVUSD Financing Authority Bonds	54,035,000	-	1,150,000	52,885,000	1,215,000
Premium on issuance	8,966,210	-	256,177	8,710,033	-
Capital lease	112,139	179,833	67,100	224,872	61,290
CalSTRS Golden Handshake PARS 403(b) Supplemental	254,167	-	211,552	42,615	42,615
Early Retirement Incentive Plans	1,645,505	-	1,645,506	-	-
Compensated absences - net	584,365	274,052	-	858,417	-
Other postemployment benefits:	477,153	477,7149	343,044	611,258	-
Claims Liability	2,204,000	1,856,773	1,347,773	2,713,000	1,347,773
TOTALS	$161,969,779	$3,709,071	$9,021,061	$156,657,789	$7,581,678

Source: Temecula Valley Unified School District.

Repayment schedules for certain of the debts/obligations are contained in APPENDIX B — "AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2016-17."

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

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

On November 6, 2012, the voters of the School District approved the issuance of not to exceed $165,000,000 of general obligation securities. The Series 2018-C Bonds are the second series of bonds issued under the measure as approved by voters. The annual debt service requirements on the Series 2018-C Bonds are shown in "DEBT SERVICE SCHEDULE" in the Official Statement.

On February 21, 2013, the Temecula Valley Unified School District issued the General Obligation Bonds, Series 2013-A (the "Series 2013-A Bonds"), in the amount of $34,995,070. The Series 2013-A Bonds were the first series of authorized bonds not to exceed $165,000,000 to be issued under the measure as approved by voters. The Series 2013-A Bonds were issued as both current interest and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $4,339,930, and an aggregate principal debt service balance of $39,335,000. The Series 2013-A Bonds were issued at an aggregate price of $36,247,369 (representing the principal amount of $34,995,070 plus an original issue premium of $2,100,581, less costs of issuance of $517,579, and underwriter's discount of $330,703).

The Series 2013-A Bonds have a final maturity which occurs on August 1, 2042. As of June 30, 2017, the principal balance outstanding (including accretion) on the Series 2013-A Bonds was $36,277,456. Unamortized premium received on issuance amounted to $1,780,665.

On May 18, 2016, the Temecula Valley Unified School District issued the General Obligation Bonds, Series 2013-B (the "Series 2013-B Bonds"), in the amount of $37,416,966. The Series 2013-B Bonds were the second series of authorized bonds not to exceed $165,000,000 to be issued under the measure as approved by voters. The Series 2013-B Bonds were issued as both current interest bonds and capital appreciation bonds accreting to $6,288,034, and an aggregate principal balance of $43,705,000. The Series 2013-B Bonds were issued at an aggregate price of $39,313,931 (representing the principal amount of $37,416,966 plus an original issue premium of $2,445,534, less costs of issuance of $342,776, and underwriter's discount of $205,793).

The Series 2013-B Bonds have a final maturity which occurs on August 1, 2045. As of June 30, 2017, the principal balance outstanding (including accretion) on the Series 2013-A Bonds was $37,718,577. Unamortized premium received on issuance amounted to $2,326,070.

Financing Authority. The Temecula Valley Unified School District Financing Authority ("TVUSD FA") was created to refinance the Community Facility Districts' (CFD) debt. On February 26, 2015, the TVUSD FA issued $55,350,000 of 2015 Special Tax Revenue Bonds. The bonds refinanced the debt for CFD's 2000-1, 2002-1 Improvement Area 2, 2002-2, 2003-2, 2004-1 Improvement Area A, and 2005-1. On June 30, 2017, the principal balance outstanding on 2015 Special Tax Revenue Bonds was $52,885,000. Unamortized premium received on issuance of the bonds amounted to $8,710,033.

Community Facilities Districts. As of June 30, 2017, the community facilities districts formed by the School District had an aggregate of $23,475,000 of bonds outstanding, exclusive of community facilities district bonds refinanced by TVUSD FA described in the preceding paragraph. The CFD Bonds are secured by special taxes levied on taxable property within the Community Facilities Districts and are not secured by *ad valorem* taxes of the School District's general fund.

Capital Leases. The School District has entered into agreements to lease LED lighting equipment, server equipment, and three vans. Such agreements are, in substance, a purchase (capital lease) and are reported as capital lease obligations. Fiscal Year 2016-17 expenditures for capital lease agreements totaled approximately $232,708.

CalSTRS Golden Handshake and Retirement Incentives. The School District has adopted an early retirement incentive program, pursuant to Education Code Sections 232714 and 44949, whereby the service credit to eligible employees in increased by two years. Eligible employees must have five or more years of service under the CalSTRS program and retire during a period not more than 120 days or less than 60 days from the date of the formal action taken by the School District. At June 30, 2009, 34 employees retired under this retirement incentive program, entitle to receive a future benefit. The approximate accumulated future liability for the School District as of June 30, 2017, amounts to $42,615.

Compensated Absences. The accumulated unpaid employee vacation for the School District at June 30, 2017, amounted to $858,417.

Other Postemployment Benefits (OVPEB) Obligation. The School District's annual required contribution for the year ended June 30, 2017, was $478,717, and contributions made by the School District during Fiscal Year 2016-17 were $343,044. Interest on the net OPEB obligation and adjustments to the annual required contribution were $19,806 and $(20,654), respectively, which resulted in an increase to the net OPEB obligation of $134,105. As of June 30, 2017, the net OPEB obligation was $611,258. See Note 14 in APPENDIX B for additional information regarding the OPEB obligation and the postemployment benefits plan.

Claims Liabilities. Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2017, amounted to $2,713,000, using a discount factor of 1.5 percent.

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

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

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CONSTITUTIONAL AND STATUTORY LIMITATIONS ON SCHOOL DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series 2018-C Bonds are payable from the proceeds of an ad valorem *tax levied by the County for the payment thereof. (See "THE SERIES 2018-C BONDS – Security" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 39, 98, 111, and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these constitutional and statutory measures on the ability of the County to levy taxes and of the School District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Series 2018-C Bonds. The tax levied by the County for payment of the Series 2018-C Bonds was approved by the School District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.*

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value thereof," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which had been approved on or after July 1, 1978, by two-thirds or more of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district voting on the proposition, but only if certain accountability measures are included in the proposition as provided by Proposition 39. The tax for payment of the Series 2018-C Bonds falls within the exception for bonds approved by a 55% vote.

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

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

Legislation Implementing Article XIIIA

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

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

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

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

Inflationary Adjustment of Assessed Valuation

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

Taxation of State-Assessed Utility Property

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

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The School District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the School District. Because the School District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as aid under the State's school financing formula.

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is based on certain Fiscal Year 1978-79 expenditures, and adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any two consecutive years exceed the combined appropriations limit for those two years, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. In the event the School District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the School District may implement a statutory procedure to concurrently increase the School District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIIIB were modified by Proposition 111 in 1990 (see "Proposition 111" below).

Proposition 98

As discussed above in APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES — Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System – State Education Funding; Proposition 98," on November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period. (See also " – SCHOOL DISTRICT FINANCIAL INFORMATION" above.)

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, excluded are any increases in gasoline taxes above the then current cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 1990-91 as if Proposition 111 had been in effect.

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

Article XIIIC and Article XIIID of the State Constitution; Proposition 218

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

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

Article XIIIC also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The Series 2018-C Bonds represent a contract between the School District and the Owners secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Series 2018-C Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the School District. No developer fees imposed by the School District are pledged or expected to be used to pay the Series 2018-C Bonds. Article XIIIC further provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Articles XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The School 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 one percent ad valorem property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the School District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the School District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the School District

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

Proposition 39

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

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

Jarvis v. Connell

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A ("Proposition 1A"), which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

See APPENDIX A – "INFORMATION RELATING TO THE SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES" above.

Proposition 22

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

Proposition 26

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

Proposition 30

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

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

Proposition 55

The California Extension of the Proposition 30 Income Tax Increase Initiative, also known as Proposition 55 ("Proposition 55"), was approved by voters on November 8, 2016. The Proposition 55 summary is as follows:

- Extends by twelve years the temporary personal income tax increases enacted in 2012 on earnings over $250,000 for single filers (over $500,000 for joint filers; over $340,000 for heads of household);
- Allocates these tax revenues 89% to K-12 schools and 11% to California Community Colleges;
- Allocates up to $2 billion per year in certain years for healthcare programs; and
- Bars use of education revenues for administrative costs, but provides local school boards discretion to decide, in open meetings and subject to annual audit, how revenues are to be spent.

The School District's budget projections for future fiscal years will be adjusted to reflect approval of Proposition 55 and the resulting impact on School District revenues.

Proposition 62; Statutory Limitations

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

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

Statutory Lien for General Obligation Bonds

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

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

State Cash Management Legislation

Since 2002, the State engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals were codified. In recent year, the State has paid down the deferrals. However, in the 2017-18 Proposed Budget, the Governor proposed deferring $859.1 million in LCFF expenditures from June 2017, to July 2017, to maintain 2016-17 programmatic expenditure levels in light of a reduction to Proposition 98 funding for 2016-17 compared to the 2016-17 Budget. The 2017-18 Proposed Budget proposed to immediately repay the deferral in 2017-18. The School District cannot predict whether the State will engage in the practice of deferring certain apportionments to School Districts in the future.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see " – Proposition 98" and " – Proposition 111" above.

Future Initiatives and Legislation

Articles XIIIA, XIIIB, XIIIC, XIIID and Propositions 26, 30, 39 (approved in 2000 authorizing a 55% approval of school bonds), 98, 111 and 218 were each adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process, Propositions 1A and 39 (approved in 2012 relating to a State grant program for energy efficiency projects) were each legislatively-referred constitutional amendments which were approved by the electorate, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. For example, during 2013, a proposal (2013-14 Assembly Bill 182) was introduced in the State Legislature and later enacted to place limitations on the ability of school districts to issue capital appreciation bonds or convertible capital appreciation bonds commencing on and after January 1, 2014. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, any city whose students are served by the School District or local districts to increase revenues, to increase appropriations or affect the timing of issuance and/or structure of future series of school district general obligation bonds, such as those expected to be issued under the measure approved by voters that authorized the Series 2018-C Bonds.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE TEMECULA VALLEY UNIFIED SCHOOL DISTRICT FOR FISCAL YEAR 2016-17

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APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The School District is located within the City of Temecula (the "City") in Riverside County (the "County"), in the western region of the County. The following information concerning the City, the County and the State of California (the "State") is presented as general background information. The Series 2018-C Bonds are not a debt or obligation of the City, the County or the State and the taxing power of the City, the County and the State are not pledged to the payment of the Series 2018-C Bonds. Property taxes for the payments of the Series 2018-C Bonds will only be levied on taxable property within the boundaries of the School District. The School District will not, and is not committing to, update this information as part of its continuing disclosure commitment. The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem *taxes for payment of the Series 2018-C Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on Series 2018-C Bonds at the time such payment is due*

Population

The City's population as of January 1, 2018, was approximately 113,181 persons, representing approximately 4.7% of the population of the County. The population of the City, the County and the State from 2009 to 2018 is shown in the following table. Since 2009, Temecula's population has increased by approximately 15.8%, representing an annual compound growth rate of approximately 1.48%.

**POPULATION OF TEMECULA, RIVERSIDE COUNTY
AND THE STATE OF CALIFORNIA
2009-2018**

	City of Temecula		Riverside County		State of California	
Year	Population	Annual % Change	Population	Annual % Change	Population	Annual % Change
2009	97,741	--	2,140,626	--	36,966,713	--
2010	99,757	2.1	2,179,692	1.8	37,223,900	0.7
2011	101,662	1.9	2,212,675	1.5	37,529,913	0.8
2012	103,704	2.0	2,240,166	1.2	37,874,977	0.9
2013	105,359	1.6	2,265,789	1.1	38,234,391	0.9
2014	106,749	1.3	2,291,262	1.1	38,568,628	0.9
2015	109,144	2.2	2,317,895	1.2	38,912,464	0.9
2016	110,536	1.3	2,346,717	1.2	39,179,627	0.7
2017	112,040	1.4	2,382,640	1.5	39,500,973	0.8
2018	113,181	1.0	2,415,955	1.4	39,809,693	0.8

Note: California Department of Finance for January 1.

Employment

The following table summarizes wage and salary employment in the County from 2013 to 2017. Trade, transportation and utilities, government, retail trade and construction are the largest employment sectors in the County.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
COUNTY OF RIVERSIDE
2013-2017*

	Average Annual Employment[1]				
Industry	2013	2014	2015	2016	2017
Total Farm	12,100	11,900	12,600	12,800	12,600
Total Non-Farm	587,400	616,200	645,300	675,500	704,400
Natural Resources and Mining	300	300	300	300	400
Construction	42,600	47,500	52,900	58,600	62,300
Manufacturing	39,000	40,100	41,300	42,700	42,800
Trade, Transportation and Utilities	129,700	136,400	146,100	152,800	158,800
Wholesale Trade	22,400	23,100	23,300	23,800	23,900
Retail Trade	82,400	85,500	88,700	91,600	92,800
Finance and Insurance	11,600	11,500	11,600	11,700	12,000
Real Estate	8,400	8,900	9,400	9,700	9,900
Other Services	20,300	21,600	21,700	22,300	22,800
Government	111,200	112,700	114,500	117,600	125,400
Total, All Industries	599,500	628,100	657,900	688,400	717,000

(1) *Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.*
* *Not seasonally adjusted.*

Source: California Employment Development Department, based on March, 2016 benchmark.