

NEW ISSUE -- FULL BOOK-ENTRY

RATINGS: Moody's: "___"; S&P: "___"
See "RATINGS" herein

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

\$148,000,000*

**PERRIS UNION HIGH SCHOOL DISTRICT
 (Riverside County, California)**

Election of 2018 General Obligation Bonds, Series A

Dated: Date of Delivery

Due: September 1, as shown on inside front cover

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.

The Perris Union High School District (Riverside County, California) Election of 2018 General Obligation Bonds, Series A (the "Bonds"), in the aggregate principal amount of \$148,000,000*, were authorized at an election of the registered voters of the Perris Union High School District (the "District") held on November 6, 2018, at which more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$148,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Current Interest Bonds, and to pay certain costs of issuing the Bonds.

The Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Riverside County (the "County") is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal and Accreted Value of and interest on the Bonds upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest with respect to the Current Interest Bonds accrues from the date of delivery of the Bonds and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2019. The Capital Appreciation Bonds accrete interest from the date of delivery, compounded semiannually on March 1 and September 1 of each year, commencing on September 1, 2019. The Current Interest Bonds are issuable as fully registered Bonds in denominations of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are issuable as fully registered Bonds in denominations of \$5,000 Maturity Value or any integral multiple thereof.

Payments of principal and Accreted Value of and interest on the Bonds will be made by U.S. Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System."

The District has applied for municipal bond insurance for the scheduled payment of principal and Maturity Value of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein.*

MATURITY SCHEDULE*
 (see inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about _____, 2019.

[Stifel logo]

Dated _____, 2019.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the 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.

MATURITY SCHEDULE*

\$148,000,000*

PERRIS UNION HIGH SCHOOL DISTRICT

(Riverside County, California)

Election of 2018 General Obligation Bonds, Series A

Base CUSIP†: 714398

\$ _____ **Current Interest Serial Bonds**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> †
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\$ _____ % **Current Interest Term Bonds due September 1, 20__** - Yield _____%‡ - CUSIP†: _____

\$ _____ **Capital Appreciation Serial Bonds**

<u>Maturity</u> <u>(September 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Yield to</u> <u>Maturity</u>	<u>Maturity</u> <u>Value</u>	<u>CUSIP</u> †
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* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

‡ Yield to call at par on September 1, 20__.

PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)

BOARD OF TRUSTEES

Edward D. Garcia, Jr., President
Anthony T. Stafford, Sr., Vice President
Dr. Randall Freeman, Clerk
Dr. Jose Luis Araux, Member
David G. Nelissen, Member

DISTRICT ADMINISTRATION

Grant Bennett, *Superintendent*
Candace Reines, *Deputy Superintendent, Business Services*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

FINANCIAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has provided the following sentence for inclusion in this Official Statement:

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

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

The District maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

[Insert Regional Location Map]

\$148,000,000*
PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
Election of 2018 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale of Perris Union High School District (Riverside County, California) Election of 2018 General Obligation Bonds, Series A, in the principal amount of \$148,000,000* (the “Bonds”).

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

The District

The Perris Union High School District (the “District”) was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of Riverside County (the “County”) just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland, and Homeland are situated within the District’s boundaries, as well as a portion of the cities of Lake Elsinore, Murrieta, San Jacinto and Wildomar. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school and one online independent study school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an adult education program, a functional skills special education school for students aged 18-22, and a military-based dependent charter school for grades 5-12.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Grant Bennett is the Superintendent of the District and Candace Reines is the Deputy Superintendent, Business Services. See “THE DISTRICT – Administration” herein.

Security and Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the 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 Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain

* Preliminary, subject to change.

personal property which is taxable at limited rates). See “THE BONDS – Security and Sources of Payment” herein.

Purpose of Issue

The proceeds from the sale of the Bonds will be used by the District to (i) finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, (ii) pay capitalized interest on the Current Interest Bonds, and (iii) pay certain costs of issuance of the Bonds. See “THE BONDS – Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the inside cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS – Book-Entry Only System” herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution described herein. See “THE BONDS – Registration, Transfer and Exchange of Bonds” herein.

Current Interest Bonds and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”).

The Current Interest Bonds mature on September 1 in the years indicated on the inside cover page hereof. The Capital Appreciation Bonds mature on September 1 in the years indicated on the inside cover page hereof, are payable only at maturity and will not pay interest on a current basis. The Maturity Value of a Capital Appreciation Bond is equal to its Accreted Value on the maturity date thereof. The accreted value (the “Accreted Value”) of any Capital Appreciation Bond is equal to the sum of its initial principal amount (the “Denominational Amount”) and the interest accreting thereon between the delivery date of the Bonds (the “Date of Delivery”) and the date of calculation of such Accreted Value.

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

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

Payments. Interest on the Current Interest Bonds accrues from their initial Date of Delivery, and is payable semiannually on each March 1 and September 1 (each a “Bond Payment Date”), commencing September 1, 2019. Principal on the Current Interest Bonds is payable on September 1 in the amounts and years as set forth on the inside cover page hereof. The Capital Appreciation Bonds do not pay current interest. Each Capital Appreciation Bond accretes in value from its Denominational Amount on the Date of Delivery to its Maturity Value on the maturity thereof at the Accretion Rate per annum set forth on the

* Preliminary, subject to change.

inside cover page hereof, compounded semiannually on March 1 and September 1 of each year commencing on September 1, 2019, and is payable only at maturity in the amount and year as set forth set forth in the table of accreted values shown in Appendix F attached hereto.

Payments of the principal and Accreted Value of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar, authenticating agent and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry Only System” herein.

Bond Insurance. The District has applied for municipal bond insurance for the scheduled payment of principal and Maturity Value of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

Tax Matters

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

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to certain provisions of the Government Code and California Constitution, and a resolution adopted by the Board on _____, 2019 (the “Resolution”). See “THE BONDS – Authority for Issuance” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2019.*

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5) (the “Rule”). These covenants have been made in order to assist the Underwriter (defined herein) in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events required to be provided are summarized in APPENDIX C attached hereto.

* Preliminary, subject to change.

Bond Owner's Risks

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. CSG Advisors Incorporated, San Francisco, California is acting as Financial Advisor to the District with respect to the Bonds. James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, will be serving as Underwriter's Counsel in connection with the sale and delivery of the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, CSG Advisors, Incorporated and James F. Anderson Law Firm, a Professional Corporation, will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Bond Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Act”), Article XIII A of the State Constitution and pursuant to the Resolution. The District received authorization at an election held on November 6, 2018 by more than fifty-five percent of the votes cast by eligible voters within the District to issue \$148,000,000 aggregate principal amount of general obligation bonds (the “Authorization”). The Bonds are the first issuance of bonds pursuant to the Authorization, and following the issuance thereof, none of the Authorization will remain unissued.*

Security and Sources of Payment

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

Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal and Maturity Value of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which fund is required to be segregated and maintained by the County and which is designated for the payment of the principal and Maturity Value of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the

* Preliminary, subject to change.

Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund and the Building Fund (defined herein), the Bonds are not a debt of the County.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal and Maturity Value of and interest on the Bonds as the same become due and payable, will 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, Maturity Value, and interest to its DTC Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service due on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

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

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

General Provisions

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

Current Interest Bonds. Interest on the Current Interest Bonds accrues from the Dated Date, and is payable on each Bond Payment Date, commencing September 1, 2019. Interest on the Current Interest Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to and including such Bond Payment Date, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before August 15, 2019, in which event it will bear interest from the Dated Date. The Current Interest Bonds are issuable in denominations of \$5,000 principal amount, or any integral multiple thereof, and mature on September 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. Interest on each Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Dated Date to the date for which the Accreted Value is calculated. The value of a Capital Appreciation Bond as of any date (the “Accreted Value”) is calculated by discounting, on a 30-day month, 360-day year basis, its Maturity Value on the basis of a constant rate (the “Accretion Rate”) compounded semiannually on March 1 and September 1 of each year to the date for which an Accreted Value is calculated, and if the date for which the Accreted Value is calculated is between March 1 and September 1, by pro-rating such Accreted Values to the closest prior or subsequent March 1 and September 1.

The Capital Appreciation Bonds will not pay interest on a periodic basis. The Capital Appreciation Bonds accrete in value from their Dated Date at the Accretion Rates per annum set forth on the inside cover page hereof, compounded semiannually on March 1 and September 1 of each year, commencing September 1, 2019. The Maturity Value of a Capital Appreciation Bond is equal to the Accreted Value thereof at its maturity date.

See also the maturity schedule on the inside cover page hereof, “—Annual Debt Service” herein, and “APPENDIX F – TABLE OF ACCRETED VALUES” attached hereto.

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

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds. The net proceeds from the sale of the Bonds will be paid to the County to the credit of the “Perris Union High School District Election of 2018 General Obligation Bonds, Series A Building Fund” (the “Building Fund”), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund and applied to the payment of the principal and Maturity Value of and interest on the Bonds.

Any premium received by the County from the sale of the Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Bonds when collected, are required to be held separate and apart in the fund created by the Resolution and designated as the “Perris Union High School District Election of 2018 General Obligation Bonds, Series A Debt Service Fund” (the “Debt Service Fund”) for the Bonds and used only for payment of principal and Maturity Value of and interest on the Bonds. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Building Fund and Debt Service Fund will be invested through the County Investment Pool. See “APPENDIX E – RIVERSIDE COUNTY POOLED INVESTMENT FUND” attached hereto.

Redemption

Optional Redemption*. The Current Interest Bonds maturing on or before September 1, ____ are not subject to redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on and after September 1, ____ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after September 1, ____ at a redemption price equal to the principal amount of the Current Interest Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after September 1, ____ at a redemption price equal to the Accreted Value of such Capital Appreciation Bonds to be redeemed as of the date set for such redemption, without premium.

* Preliminary, subject to change.

Mandatory Redemption*. The Current Interest Bonds maturing on September 1, ____, are subject to redemption prior to maturity from mandatory sinking fund payments on September 1 of each year, on and after September 1, ____, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Term Bonds to be so redeemed, the dates therefor, and the final payment date are as indicated in the following table:

<u>Year Ending</u> <u>September 1</u>	<u>Principal</u> <u>To Be Redeemed</u>
--	---

⁽¹⁾ Maturity.

In the event that a portion of the Term Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of \$5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District and, if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in the principal amount or Maturity Value of \$5,000, as applicable, or any integral multiple thereof.

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

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

* Preliminary, subject to change.

service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

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

“Securities Depository” means The Depository Trust Company, 55 Water Street, New York, New York 10041.

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

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

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amount (which, with respect to any outstanding Current Interest Bonds, means the principal amount, and with respect to any outstanding Capital Appreciation Bond, means the Maturity Value) to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

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

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in “—Defeasance” herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by the independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, Accreted Value, premium, if any, and interest on,

such Bonds to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, the Bonds will not be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of such rescission in the same manner as the Redemption Notice was originally provided.

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

Book-Entry Only System

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of principal and maturity value of, interest on, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders of the Bonds (other than under the caption "TAX MATTERS" herein and "APPENDIX B – FORM OF OPINION OF BOND COUNSEL" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

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

The principal and Maturity Value of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount or Maturity Value thereof, as applicable) upon presentation and surrender at the corporate trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form

satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

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

Defeasance

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

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

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, and moneys transferred from the Debt Service Fund (if any), in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued or accreted interest thereon and redemption premiums, if any) at or before their maturity date;

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

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are

held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Service ("Moody's") at least as high as direct and general obligations of the United States of America.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds

Principal Amount of the Bonds
Net Original Issue Premium
Total Sources

Uses of Funds

Building Fund
Debt Service Fund⁽¹⁾
Costs of Issuance⁽²⁾
Total Uses

⁽¹⁾ Represents capitalized interest on the Current Interest Bonds through _____, 20__.

⁽²⁾ Includes Underwriter's discount, legal fees, printing fees, demographics, bond insurance premium, if any, Financial Advisor's fees, rating agency fees, and certain other expenses related to the Bonds.

DEBT SERVICE SCHEDULE

The following table summarizes the annual debt service requirements of the District with respect to the Bonds (assuming no optional redemptions are made):

Period Ending <u>September 1</u>	<u>Current Interest Bonds</u>		<u>Capital Appreciation Bonds</u>		Total <u>Debt Service</u>
	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Annual Principal Payment⁽²⁾</u>	<u>Annual Accreted Interest Payment⁽²⁾</u>	
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					
2046					
2047					
2048					
Totals					

⁽¹⁾ Interest payments on the Current Interest Bonds will be made semiannually on March 1 and September 1 of each year, commencing September 1, 2019.

⁽²⁾ The Capital Appreciation Bonds are payable only at maturity on September 1 of the years indicated on the inside cover hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on March 1 and September 1 of each year, commencing on September 1, 2019.

See “DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds” herein for a schedule of the combined debt service requirements for all of the District’s outstanding general obligation bonds.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Tax Collector of the County (the "Tax Collector"). After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Tax Levies, Collections and Delinquencies" herein.

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution (“Article XIII A”). For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2018-19 of \$16,848,960,832. Shown in the following table are the assessed valuations for the District since 1993-94. The District’s assessed valuation increased by approximately 373.6% between fiscal year 1993-94 and fiscal year 2018-19, representing an approximate annual compound growth rate of 6.4%.

ASSESSED VALUATION
Fiscal Years 1993-94 to 2018-19
Perris Union High School District

Fiscal Year	Secured	Utility ⁽¹⁾	Unsecured	Total Assessed Valuation	Annual % Change
1993-94	\$3,492,180,699	\$8,861,011	\$56,817,546	\$3,557,859,256	--
1994-95	3,478,209,532	630,961	60,313,656	3,539,154,149	-0.5%
1995-96	3,419,854,828	764,531	61,054,904	3,481,674,263	-1.6
1996-97	3,308,034,180	1,276,028	63,998,733	3,373,308,941	-3.1
1997-98	3,360,322,456	1,530,996	63,169,190	3,425,022,642	1.5
1998-99	3,310,227,382	1,627,152	64,356,862	3,376,211,396	-1.4
1999-00	3,392,375,501	2,571,131	61,862,429	3,456,809,061	2.4
2000-01	3,619,651,596	--	86,285,142	3,705,936,738	7.2
2001-02	3,944,827,039	--	134,308,141	4,079,135,180	10.1
2002-03	4,434,300,958	1,480,594	125,716,356	4,561,497,908	11.8
2003-04	5,088,665,652	1,228,881	103,270,476	5,193,165,009	13.8
2004-05	6,391,976,004	1,180,223	142,184,055	6,535,340,282	25.8
2005-06	8,243,542,907	1,160,065	156,426,241	8,401,129,213	28.5
2006-07	11,334,521,793	6,996,408	177,300,623	11,518,818,824	37.1
2007-08	13,524,748,395	246,949,439	189,562,117	13,961,259,951	21.2
2008-09	13,196,556,421	459,549,439	195,229,974	13,851,335,834	-0.8
2009-10	10,837,274,526	748,949,439	196,670,450	11,782,894,415	-14.9
2010-11	10,241,293,027	709,649,439	219,720,201	11,170,662,667	-5.2
2011-12	10,427,675,352	811,649,439	205,796,373	11,445,121,164	2.5
2012-13	10,201,916,776	577,544,771	247,425,679	11,026,887,226	-3.7
2013-14	10,829,455,653	440,244,771	294,904,763	11,564,605,187	4.9
2014-15	12,119,600,667	346,644,771	266,446,636	12,732,692,074	10.1
2015-16	13,165,252,706	295,044,771	244,154,999	13,704,452,476	7.6
2016-17	13,929,135,813	253,844,771	254,879,298	14,437,859,882	5.4
2017-18	15,051,726,350	105,844,771	300,051,253	15,457,622,374	7.1
2018-19	16,342,992,937	118,541,962	387,425,933	16,848,960,832	9.0

⁽¹⁾ Excludes assessed valuation from unitary utility roll.

Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the

property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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

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

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

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the county assessor, will not significantly reduce the assessed valuation of property within the District.

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

Assessed Valuation and Parcels by Land Use

The following table is an analysis of the District’s secured assessed valuation by land use.

**ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Perris Union High School District**

	2018-19 <u>Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural/Rural	\$242,879,451	1.48%	601	0.83%
Commercial/Industrial	1,418,618,424	8.62	979	1.35
Utilities/Power Plant	118,541,962	0.72	4	0.01
Vacant Commercial/Industrial	468,981,167	2.85	986	1.36
Vacant Unclassified	<u>117,425,431</u>	<u>0.71</u>	<u>3,988</u>	<u>5.50</u>
Subtotal Non-Residential	\$2,366,446,435	14.38%	6,558	9.04%
Residential:				
Single Family Residence	\$11,665,199,368	70.86%	43,874	60.47%
Condominium/Townhouse	159,291,029	0.97	1,150	1.59
Mobile Homes/Lots	1,045,225,688	6.35	9,490	13.08
2-3 Residential Units	111,029,344	0.67	368	0.51
4+ Residential Units/Apartments	306,538,031	1.86	98	0.14
Miscellaneous Residential	31,459,687	0.19	141	0.19
Vacant Residential	<u>776,345,317</u>	<u>4.72</u>	<u>10,875</u>	<u>14.99</u>
Subtotal Residential	\$14,095,088,464	85.62%	65,996	90.96%
Total	\$16,461,534,899	100.00%	72,554	100.00%

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

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Assessed Valuation Per Parcel of Single Family Homes

The following table is an analysis of the District's assessed valuation per parcel of single family homes for fiscal year 2018-19.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES Fiscal Year 2018-19 Perris Union High School District

	No. of <u>Parcels</u>	2018-19 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	43,874	\$11,665,199,368	\$265,880	\$261,951

<u>2018-19 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	469	1.069%	1.069%	\$16,669,251	0.143%	0.143%
50,000 - 99,999	2,244	5.115	6.184	179,324,552	1.537	1.680
100,000 - 149,999	4,668	10.640	16.823	594,049,285	5.092	6.773
150,000 - 199,999	6,353	14.480	31.303	1,116,651,517	9.573	16.345
200,000 - 249,999	6,667	15.196	46.499	1,502,800,764	12.883	29.228
250,000 - 299,999	6,101	13.906	60.405	1,674,270,645	14.353	43.581
300,000 - 349,999	6,446	14.692	75.097	2,096,674,828	17.974	61.554
350,000 - 399,999	5,904	13.457	88.554	2,206,409,744	18.914	80.469
400,000 - 449,999	3,279	7.474	96.027	1,380,747,460	11.836	92.305
450,000 - 499,999	1,040	2.370	98.398	489,182,377	4.194	96.499
500,000 - 549,999	327	0.745	99.143	170,524,621	1.462	97.961
550,000 - 599,999	178	0.406	99.549	101,877,599	0.873	98.834
600,000 - 649,999	78	0.178	99.726	48,523,179	0.416	99.250
650,000 - 699,999	60	0.137	99.863	40,181,361	0.344	99.954
700,000 - 749,999	27	0.062	99.925	19,464,193	0.167	99.761
750,000 - 799,999	16	0.036	99.961	12,305,711	0.105	99.867
800,000 - 849,999	9	0.021	99.982	7,360,698	0.063	99.930
850,000 - 899,999	2	0.005	99.986	1,741,607	0.015	99.945
900,000 - 949,999	1	0.002	99.989	900,000	0.008	99.953
950,000 - 999,999	3	0.007	99.995	2,889,369	0.025	99.977
1,000,000 and greater	<u>2</u>	<u>0.005</u>	100.000	<u>2,650,607</u>	<u>0.023</u>	100.000
Total	43,874	100.000%		\$11,665,199,368	100.000%	

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

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Assessed Valuation by Jurisdiction

The following table is an analysis of the District's assessed valuation by jurisdiction for fiscal year 2018-19.

ASSESSED VALUATION BY JURISDICTION⁽¹⁾ Fiscal Year 2018-19 Perris Union High School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Lake Elsinore	\$512,696,426	3.04%	\$6,198,621,290	8.27%
City of Menifee	9,736,108,638	57.78	9,736,108,638	100.00
City of Murrieta	965,315,661	5.73	13,416,976,229	7.19
City of Perris	2,485,717,080	14.75	6,277,259,688	39.60
City of San Jacinto	4,159,500	0.02	3,054,496,507	0.14
City of Wildomar	35,913,953	0.21	3,414,552,519	1.05
Unincorporated Riverside County	<u>3,109,049,574</u>	<u>18.45</u>	43,011,850,793	7.23
Total District	\$16,848,960,832	100.00%		
Riverside County	\$16,848,960,832	100.00%	\$280,327,986,244	6.01%

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

Secured Tax Charges and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected in the District by the County from fiscal year 2012-13 through fiscal year 2017-18 with respect to the tax levy within the District for general obligation bonds.

SECURED TAX CHARGES AND DELINQUENCY RATES Fiscal Years 2012-13 through 2017-18 Perris Union High School District

<u>Fiscal Year</u>	<u>General Obligation Bond Debt Service Levy</u>		
	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2012-13	\$3,620,756.49	\$90,035.78	2.49%
2013-14	7,702,401.52	174,272.00	2.26
2014-15	7,734,501.66	140,824.28	1.82
2015-16	8,144,922.95	170,103.32	2.09
2016-17	8,529,850.47	179,619.56	2.11
2017-18	8,487,020.59	135,882.66	1.60

⁽¹⁾ District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which

secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding. Supplemental taxes are currently excluded from the Teeter Plan.

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

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for the agency.

Tax Rates

Three representative tax rate areas located within the District, Tax Rate Area 26-20, Tax Rate Area 26-70, and Tax Rate Area 26-232, accounted for approximately 3.0%, 3.0%, and 0.8%, respectively, of the District's total assessed valuation in fiscal year 2018-19. The tables below summarize the total *ad valorem* tax rates levied by all taxing entities in these three tax rate areas during the five-year period from 2014-15 to 2018-19.

**SUMMARY OF AD VALOREM TAX RATES
\$1 Per \$100 Of Assessed Valuation
Perris Union High School District**

Tax Rate Area 26-20: 2018-19 Assessed Valuation: \$501,584,319

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Menifee Union School District	.03275	.03010	.03269	.06080	.06303
Perris Union High School District	.06303	.06236	.06092	.05675	.05243
Mount San Antonio Community College District	--	.01394	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Eastern Municipal Water District I.D. No. U-2	<u>.01000</u>	<u>.01000</u>	<u>.01000</u>	<u>.01000</u>	<u>.01000</u>
Total	\$1.10928	\$1.11990	\$1.12031	\$1.14425	\$1.14216

SUMMARY OF AD VALOREM TAX RATES (continued)
\$1 Per \$100 Of Assessed Valuation
Perris Union High School District

Tax Rate Area 26-70: 2018-19 Assessed Valuation: \$499,515,634

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General	\$1.00000	1.00000	1.00000	1.00000	1.00000
Menifee Union School District	.03275	.03010	.03269	.06080	.06303
Perris Union High School District	.06303	.06236	.06092	.05675	.05243
Mount San Antonio Community College District	--	.01394	.01320	.01320	.01320
Metropolitan Water District	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	\$1.09928	\$1.10990	\$1.11031	\$1.13425	\$1.13216

Tax Rate Area 26-232: 2018-19 Assessed Valuation: \$140,684,415

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General	\$1.00000	1.00000	1.00000	1.00000	1.00000
Perris Union High School District	.06303	.06236	.06092	.05675	.05243
Mount San Antonio Community College District	--	.01394	.01320	.01320	.01320
Metropolitan Water District	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	\$1.06653	\$1.07980	\$1.07762	\$1.07345	\$1.06913

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest property taxpayers in the District as determined by secured assessed valuation in fiscal year 2018-19.

LARGEST 2018-19 LOCAL SECURED PROPERTY TAXPAYERS
Perris Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Indland Empire Energy Center LLC	Power Plant	\$118,100,000	0.72%
2.	Donahue Schriber Realty Group	Commercial	54,235,362	0.33
3.	Carrington Place Ltd.	Apartments	48,828,885	0.30
4.	Antelope Ridge Apartments	Apartments	45,406,405	0.28
5.	RSI Communities	Residential Development	44,816,081	0.27
6.	Cantabria Development	Apartments	44,543,400	0.27
7.	Health Care REIT Inc.	Medical Facilities	43,391,295	0.26
8.	CR&R Inc.	Commercial	41,924,099	0.25
9.	Kaiser Foundation Hospitals	Medical Offices	41,634,443	0.25
10.	Wal Mart Stores Inc.	Commercial	39,370,840	0.24
11.	Nuevo Development Co.	Agricultural/Rural	39,014,245	0.24
12.	KB Home Coastal Inc.	Residential Development	37,778,996	0.23
13.	GM Gabrych Family LP	Commercial	33,797,872	0.21
14.	Pardee Homes	Residential Development	32,150,888	0.20
15.	PHH Real Estate	Commercial	31,651,194	0.19
16.	Nuevo Perris	Commercial	31,400,000	0.19
17.	Western Pacific Housing Inc.	Residential Development	30,939,203	0.19
18.	FR Cal Harvill Road	Commercial	27,237,273	0.17
19.	Mapleton Commons	Apartments	27,152,970	0.16
20.	MEF Homes	Residential Development	<u>25,313,963</u>	<u>0.15</u>
			\$838,687,414	5.09%

⁽¹⁾ 2018-19 local secured assessed valuation: \$16,461,534,899.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., dated as of March 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Perris Union High School District**

2018-19 Assessed Valuation: \$16,848,960,832

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/19</u>
Riverside County Flood Control District Zone No. 4 Benefit Assessment Districts	29.992%	\$4,405,825
Metropolitan Water District	0.573	275,327
Eastern Municipal Water District Improvement Districts	0.040-100.000	19,526,784
Mount San Jacinto Community College District	18.482	31,909,173
Perris Union High School District	100.000	103,008,693⁽¹⁾
Menifee Union School District	100.000	98,644,720
Menifee Union School District Community Facilities Districts	100.000	153,840,000
Nuview School District	100.000	9,626,235
Perris School District	100.000	28,546,242
Perris School District Community Facilities District No. 2002-1	100.000	1,350,000
Perris Union High School District Community Facilities District Nos. 91-1 and 92-1	100.000	43,555,000
Romoland School District Community Facilities Districts	100.000	152,355,000
City of Lake Elsinore Community Facilities Districts	31.839-100.000	49,120,859
City of Murrieta Community Facilities Districts	100.000	38,543,037
City of Perris Community Facilities Districts	19.735-100.000	53,124,978
Riverside County Community Facilities Districts	4.890-100.000	28,890,636
Other Special District Community Facilities Districts	Various	55,442,262
City and Special District 1915 Act Bonds (Estimated)	Various	<u>9,029,948</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$881,194,719

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	6.010%	\$46,719,758
Riverside County Pension Obligation Bonds	6.010	14,655,385
Perris Union High School District Certificates of Participation	100.000	6,930,065⁽²⁾
Menifee Union School District Certificates of Participation	100.000	47,547,926
Perris School District Certificates of Participation	100.000	6,670,000
City of Lake Elsinore General Fund Obligations	8.271	1,735,669
City of Murrieta General Fund Obligations	7.195	405,438
City of San Jacinto Pension Obligation Bonds	0.136	936
Western Municipal Water District General Fund Obligations	0.123	<u>11,823</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$124,677,000
Less: Riverside County supported obligations		<u>(153,857)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$124,523,143

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): **\$63,566,836**

GROSS COMBINED TOTAL DEBT	\$1,069,438,555 ⁽³⁾
NET COMBINED TOTAL DEBT	\$1,069,284,698

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$103,008,693)	0.61%
Total Overlapping Tax and Assessment Debt.....	5.23%
Combined Direct Debt (\$109,938,758)	0.65%
Gross Combined Total Debt	6.35%
Net Combined Total Debt	6.35%

Ratios to Redevelopment Incremental Valuation (\$1,703,259,648):

Total Overlapping Tax Increment Debt.....	3.73%
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⁽¹⁾ Excludes the Bonds.

⁽²⁾ Excludes the 2019 COPs.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

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

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

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

the approval of two-thirds or more of all members of the State legislature (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the 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.

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

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Proposition 50 and Proposition 171

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

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located

within another county in the State, which is acquired or newly constructed within three years after the disaster.

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

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

Unitary Property

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

Article XIII B of the California Constitution

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

- (a) “change in the cost of living” with respect to school districts and community college districts (collectively “K-14 school districts”) to mean the percentage change in State per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year

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

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

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

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

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" below.

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

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

Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act were 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-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school districts appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year

following an Article XIII B surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' 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 exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

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

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as “Proposition 39”) to the State Constitution. Proposition 39 is an initiated Constitutional amendment that (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, such that 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 authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district, such as the District), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the

revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. The State may shift from 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.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was projected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

The revenues generated from the personal income tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “– Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the temporary personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

On May 29, 2002, the State 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). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the State 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 State 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 2

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the

10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school

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

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

The District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over \$4.4 billion, including a \$2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the \$2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount

will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to 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.

For fiscal year 2017-18, the 2018-19 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 \$16.7 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 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 \$15.9 billion, including \$2.0 billion in the traditional general fund reserve, \$13.8 billion in the BSA and \$200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.6 billion, an increase of \$252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at \$75.6 billion, reflecting an increase of \$1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of \$789 million, on top of a previous \$536 million payment. After making the approximately \$1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at \$78.4 billion, reflecting an increase of \$2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at \$67.9 billion, including \$47.5 billion from the State general fund, reflecting an increase of \$1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by \$579 (or 5.2%) from the prior year, up to \$11,640.

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

- *Local Control Funding Formula* – An increase of \$3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: \$8,235 for grades K-3, \$7,571 for grades 4-6, \$7,796 for grades 7-8 and \$9,269 for grades 9-12.
- *Low-Performing Students Block Grant* – \$300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.
- *State System of Support* – An increase of \$54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – \$12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the “Collaborative”) to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates \$5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.
- *Special Education Local Plan Area (SELPA) Technical Assistance* – \$10 million in Proposition 98 funding for up to ten 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 start new or expand existing teacher residency programs with \$50 million earmarked for special education teachers and \$25 million earmarked for bilingual and STEM teachers; and \$50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain 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 2019-20 school year, supplemented by State funding, and 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.
- *Federal Funds for Academic Enrichment* – \$165 million one-time federal ESSA Title IV funding for academic enrichment, with \$121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.
- *Charter School Facility Grant Program* – \$21 million one-time and \$25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.
- *Kids Code After School Program* – \$15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – \$972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.
- *Kindergarten Facilities* – \$100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.
- *Proposition 51* – a total allocation of \$594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO’s website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the “Proposed 2019-20 Budget”). The following information is drawn from the State Department of Finance’s summary, and the LAO’s review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$136.9 billion and total expenditures of \$144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$18.3 billion, including \$3.9 billion in the traditional general fund reserve, \$13.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$142.6 billion and authorizes expenditures of \$144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.5 billion, including \$2.3 billion in the traditional general fund reserve, \$15.3 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under the Governor’s new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at \$75.5 billion, a decrease of \$120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at \$77.9 billion, reflecting a decrease of \$525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a \$44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at \$80.7 billion, reflecting an increase of \$2.8 billion from the revised prior-year level. Fiscal year 2019-20 is projected to be a “Test 3” year. With respect to K-12 education, ongoing per-pupil spending is set at \$12,003, reflecting an increase of \$435 from the prior year.

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

- *Local Control Funding Formula* – An increase of \$2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to \$63 billion.
- *Categorical Programs* – An increase of \$187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.
- *Pension Costs* – A \$3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion would be paid towards employers' long-term unfunded liability.
- *State System of Support* – An increase of \$20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.
- *Special Education* – \$577 million in Proposition 98 funding (of which \$186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.
- *Preschool* – \$125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of \$26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.
- *Early Education* – An increase of \$750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes \$500 million for improvements to early education (including \$245 million for facilities, \$245 million for the child care workforce, and \$10 million to improve access and quality).
- *County Offices of Education* – An increase of \$9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State

budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal and Maturity Value of and interest on the Bonds would not be impaired.

THE DISTRICT

Introduction

The District was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of the County just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland, and Homeland are situated within the District’s boundaries, as well as a portion of the cities of Lake Elsinore, Murrieta, San Jacinto and Wildomar. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school and one online independent study school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an adult education program, a functional skills special education school for students aged 18-22, and a military-based dependent charter school for grades 5-12.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, Attention: Superintendent. The District may impose a charge for copying, mailing and handling.

Administration

The governing board of the District (the “Board”) consists of five elected members. Members are elected to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. The day-to-day affairs of the District are the responsibility of the Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below.

BOARD OF TRUSTEES Perris Union High School District

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Edward D. Garcia, Jr.	President	December, 2020
Anthony T. Stafford, Sr.	Vice President	December, 2020
Dr. Randall Freeman	Clerk	December, 2022
Dr. Jose Luis Araux	Member	December, 2022
David G. Nelissen	Member	December, 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Deputy Superintendent, Business Services of the District are listed below:

Grant Bennett, Superintendent. Mr. Bennett has been with the District for 26 years, serving as Superintendent for almost 3 years. He began his career as a Math teacher and later moved into school site administration as an Assistant Principal and Principal. In 2009 Mr. Bennett moved to the district office, where he first served as the Director of Pupil Services before moving over to Curriculum and Instruction. He then spent one year as the Assistant Superintendent of Educational Services, before becoming District Superintendent. Mr. Bennett received his Bachelor’s degree in Mathematics from California State University, Long Beach and a Master’s degree in Educational Administration from National University.

Candace Reines, Deputy Superintendent, Business Services. Ms. Reines has served the District since 2006. Prior to her current position, she served for two years as the Director of Fiscal Services for the District. She has worked in the field of school business for 18 years. Ms. Reines holds a Bachelor of Science in Organizational Leadership and a Master of Arts in Leadership and Organizational Studies, both from Azusa Pacific University. Ms. Reines is licensed through the California Association of School Business Officials and is a Certified Chief Business Official.

Enrollment Trends

The following table shows the enrollment history for the District.

**ANNUAL ENROLLMENT
Fiscal Years 2008-09 Through 2018-19
Perris Union High School District**

Year	Enrollment ⁽¹⁾	Annual Change	Annual % Change
2008-09	9,542	253	--
2009-10	9,650	108	1.1%
2010-11	9,649	-1	0.0
2011-12	9,636	-13	-0.1
2012-13	9,518	-118	-1.2
2013-14	9,366	-152	-1.6
2014-15	9,541	175	1.9
2015-16	9,703	162	1.7
2016-17	9,755	52	0.5
2017-18	9,827	72	0.7
2018-19	9,844	17	0.2

⁽¹⁾ Reflects enrollment as of the October CBEDS for fiscal years 2008-09 through 2012-13, and October CALPADS for fiscal years 2013-14 through 2018-19. Does not include charter school enrollment.

Source: The District.

Labor Relations

As of March 2019, the District employed approximately 490.5 full-time equivalent (“FTE”) certificated employees and approximately 393.7 FTE classified employees. These employees, except management, confidential and other non-represented employees are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS Perris Union High School District

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Perris Secondary Educators Association	445	June 30, 2021
California School Employees Association	409	June 30, 2019

Source: The District.

State Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the “STRS Defined Benefit Program”). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

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

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

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

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018.

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were \$3,714,998 in fiscal year 2014-15, \$5,124,739 in fiscal year 2015-16, \$6,213,465 in fiscal year 2016-17 and \$7,418,500 for fiscal year 2017-18. The District has currently projects \$8,766,864 for its contribution to STRS for fiscal year 2018-19.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures or fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$1,898,113 in fiscal year 2014-15, \$2,065,548 in fiscal year 2015-16, \$2,595,788 in fiscal year 2016-17, and \$3,029,876 for fiscal year 2017-18. The District has currently projects \$4,081,782 for its contribution to PERS for fiscal year 2018-19.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon

a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2016-17

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾

⁽¹⁾ Amounts may not add due to rounding.

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

⁽³⁾ Reflects actuarial value of assets.

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

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

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

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

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

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be

amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The Schools Pool Actuarial Valuation as of June 30, 2017, reported that, based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.7%, with annual increases thereafter, resulting in a projected 25.5% employer contribution rate for fiscal year 2025-26.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the

final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$85,169,359	\$28,647,035	\$6,656,528	\$9,225,667
CalPERS	<u>35,010,378</u>	<u>11,719,020</u>	<u>412,204</u>	<u>7,491,322</u>
Total	\$120,179,737	\$40,366,055	\$7,068,732	\$16,716,989

See also “APPENDIX A – FISCAL YEAR 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13” attached hereto.

Post-Employment Benefits

The Medicare Premium (“MPP Program”) is administered by STRS. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes 2000 (SB 1435). STRS administers the MPP Program through the Teachers’ Health Benefits Fund.

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis. The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

At June 30, 2018, the District reported a liability of \$701,451 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined.

The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1667 percent and 0.1717 percent, resulting in a net decrease in proportionate share of 0.0050 percent. For the year ended June 30, 2018, the District recognized OPEB expense of \$(101,989). The District currently projects a contribution of \$663,747 to the MPP Program for fiscal year 2018-19.

See Note 9 to the fiscal year 2017-18 audited financial statements of the District included in Appendix A hereto.

Joint Powers Authorities

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$10,000,000 and deductibles ranging from \$500 to \$25,000. The District also purchases coverage for general and auto liability claims with limits up to \$50,000,000 per occurrence various aggregates throughout the structure, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are provided through a local joint powers authority. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

During fiscal year ending June 30, 2018, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority ("RSIA"), a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

For fiscal year 2018, the District participated in the Riverside Schools' Risk Management Authority ("RSRMA"), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges ("PIPS"), a finite risk sharing

pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

The District is a member of the Riverside Employer/Employee Partnership ("REEP") to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The relationships between the District and each of the Joint Powers Authorities are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements; however, fund transactions between the entities and the District are included therein. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$1,496,269, \$8,937,827, and \$758,854 to RSRMA, REEP, and RSIA, respectively.

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

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

The primary component of AB 97, as amended by SB 91, was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget” herein.

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

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

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2018-19
Perris Union High School District

Fiscal Year	Average Daily Attendance⁽¹⁾			Enrollment⁽²⁾	
	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2012-13	1,105	7,730	8,835	9,518	71.70%
2013-14	1,084	7,661	8,745	9,366	71.81
2014-15	1,116	7,760	8,876	9,541	72.60
2015-16	1,112	7,950	9,062	9,703	74.26
2016-17	1,103	7,967	9,069	9,755	73.87
2017-18	1,090	8,025	9,115	9,827	74.62
2018-19 ⁽³⁾	1,106	8,067	9,173	9,844	71.44

⁽¹⁾ Reflects ADA as of the second principal reporting period (“P-2 ADA”), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Reflects projected ADA for fiscal year 2018-19. Figures may not sum to totals due to rounding.

⁽²⁾ For fiscal year 2012-13, reflects enrollment as of the October report submitted to the California Basic Educational Data System (“CBEDS”) in such school year. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and is used to calculate each school district’s unduplicated EL/LI student enrollment. CALPADS figures exclude preschool and adult transitional students. Adjustments may be made to the certified EL/LI counts by the California Department of Education. 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 total fiscal year 2013-14 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 is based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

⁽³⁾ Reflects projected ADA and October CALPADS enrollment figures.

Source: *The District*.

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

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

Certain school districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the

State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

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

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

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

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student

outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, developer fees, and other local sources.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide.

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces

such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received . . . had the redevelopment agency existed at that time,” and that the county auditor-controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved using current assessed values . . . and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

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

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

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements of the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, telephone: (951) 943-6369. The audited financial statements of the District for the year ended June 30, 2018, are included in Appendix A hereto.

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Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2013-14 to fiscal year 2017-18.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund
Balances – General Fund – Fiscal Years 2013-14 through 2017-18⁽¹⁾
Perris Union High School District

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
REVENUES					
Local Control Funding Formula	\$65,329,728	\$75,288,332	\$87,993,269	\$94,325,125	\$97,744,720
Federal revenue	7,217,338	6,756,109	7,471,831	8,043,640	7,983,360
Other State sources	6,767,710	5,470,662	13,616,785	10,187,948	11,234,793
Other Local sources	<u>5,196,840</u>	<u>5,316,204</u>	<u>4,094,660</u>	<u>7,273,674</u>	<u>3,097,319</u>
Total Revenues	84,511,616	92,831,307	113,176,545	119,830,387	120,060,192
EXPENDITURES					
Current					
Instruction	49,935,256	52,789,970	62,328,799	68,435,377	70,067,748
Instruction-related activities:					
Supervision of instruction	2,011,348	2,113,954	2,969,819	2,801,937	2,492,971
Instructional library, media and technology	647,569	619,383	1,416,005	847,166	887,854
School site administration	6,081,955	6,925,247	6,621,298	6,320,248	7,259,752
Pupil Services:					
Home-to-school transportation	2,701,397	2,866,928	3,404,125	4,005,169	3,807,248
Food services	551	123	--	276	23,698
All other pupil services	4,854,361	5,551,858	7,354,683	8,263,758	9,363,944
Administration:					
Data processing	1,636,864	2,045,070	1,533,929	2,045,935	2,453,127
All other administration	4,535,022	4,561,599	5,509,116	5,401,464	4,892,358
Plant services	9,639,660	10,445,884	11,492,885	10,944,367	12,559,600
Facility acquisition and construction	1,151,499	2,309,860	3,944,413	3,995,546	4,724,134
Ancillary services	1,632,384	1,709,374	2,053,733	2,215,816	2,386,335
Community services	844	1,460	3,798	9,151	18,163
Other outgo	608,811	624,215	647,120	719,071	1,021,479
Debt service:					
Principal	310,559	1,242,237	621,118	1,338,253	165,753
Interest and other	<u>310,559</u>	<u>--</u>	<u>--</u>	<u>21,250</u>	<u>17,207</u>
Total Expenditures	86,058,639	93,807,162	109,900,841	117,364,784	122,141,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,547,023)	(975,855)	3,275,704	2,465,603	(2,081,179)
Other Financing Sources (Uses):					
Transfers in	--	--	--	--	--
Transfers out	<u>(13,619)</u>	<u>--</u>	<u>(62,904)</u>	<u>--</u>	<u>(38,541)</u>
Net Financing Sources (Uses)	(13,619)	--	(62,904)	--	(38,541)
NET CHANGE IN FUND BALANCES	(1,560,642)	(975,855)	3,212,800	2,465,603	(2,119,720)
Fund Balance – Beginning	<u>11,337,608</u>	<u>9,776,966</u>	<u>8,801,111</u>	<u>12,013,911</u>	<u>14,479,514</u>
Fund Balances – Ending	<u>\$9,776,966</u>	<u>\$8,801,111</u>	<u>\$12,013,911</u>	<u>\$14,479,514</u>	<u>\$12,359,794</u>

⁽¹⁾ For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2018-19, see “ – General Fund Budgets” below.
Source: The District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 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 September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

A school district whose budget has been disapproved must revise and readopt its budget by October 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 school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school 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.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent 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 the 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 current 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 the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a “negative” certification of an Interim Report pursuant to AB 1200. The District received “qualified” certifications of its interim reports from its fiscal year 2010-11 Second Interim Report through its fiscal year 2012-13 Second Interim Report. The District received “positive” certifications of each of its interim reports since such time.

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General Fund Budgets

The District's general fund budgets for the fiscal years ending June 30, 2016, through June 30, 2019, actual results for the fiscal years ending June 30, 2016, through June 30, 2018, and projected ending results for the fiscal year ending June 30, 2019, are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS FISCAL YEARS ENDING JUNE 30, 2016 THROUGH JUNE 30, 2019 Perris Union High School District

	2015-16 Budget ⁽¹⁾	2015-16 Actual ⁽¹⁾	2016-17 Budget ⁽¹⁾	2016-17 Actual ⁽¹⁾	2017-18 Budget ⁽¹⁾	2017-18 Actual ⁽¹⁾	2018-19 Budget ⁽²⁾	2018-19 Projected ⁽²⁾
REVENUES								
Local Control Funding Formula	\$74,669,271	\$87,993,269	\$95,354,027	\$94,325,125	\$97,868,301	\$97,744,720	\$105,369,529	\$104,814,084
Federal revenue	6,613,218	7,471,831	6,824,995	8,043,640	6,908,896	7,983,360	6,797,413	8,348,188
Other State sources	4,226,791	13,616,785	6,827,117	10,187,948	8,928,960	11,234,793	10,314,079	10,062,340
Other Local sources	<u>4,723,907</u>	<u>4,094,660</u>	<u>2,877,376</u>	<u>7,273,674</u>	<u>2,111,716</u>	<u>3,097,319</u>	<u>5,264,063</u>	<u>5,349,298</u>
Total Revenues⁽²⁾	90,233,187	113,176,545	111,883,515	119,830,387	115,817,873	120,060,192	127,745,084	128,573,910
EXPENDITURES								
Current								
Certificated salaries	51,400,826	44,593,426	46,194,927	46,255,940	47,489,751	48,538,921	49,528,257	51,921,934
Classified salaries	10,158,372	16,340,113	17,019,449	17,690,365	18,846,430	18,102,508	18,807,667	19,742,499
Employee benefits	8,239,015	21,209,875	19,634,165	23,253,220	25,833,974	25,391,684	28,764,649	29,586,430
Books and supplies	1,590,159	7,093,958	8,354,681	5,992,508	7,606,356	6,394,841	6,911,621	8,382,074
Services and operating expenditures	7,174,362	15,320,975	15,950,397	17,472,226	16,000,361	18,232,183	17,980,692	19,118,653
Capital Outlay	13,049,300	4,074,255	4,284,083	4,621,951	5,708,236	5,017,135	4,932,725	3,712,282
Other Outgo	1,278,785	647,120	639,747	719,071	(1,025,350)	281,139	1,175,091	747,741
Transfers of Indirect Costs	--	--	--	--	--	--	(623,822)	(618,552)
Debt Service								
Principal	621,119	621,119	1,338,253	1,338,253	782,829	165,753	--	--
Interest	--	--	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>17,207</u>	--	--
Total Expenditures⁽²⁾	93,511,938	109,900,841	113,436,952	117,364,784	121,263,837	122,141,371	127,476,880	132,593,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,278,751)	3,275,704	(1,553,437)	2,465,603	(5,445,964)	(2,081,179)	268,204	(4,019,151)
Other Financing Sources (Uses):								
Transfers in	--	--	--	--	--	--	--	--
Transfers out	--	(62,904)	--	--	(37,564)	(38,541)	--	(41,670)
Net Financing Sources (Uses)	--	(62,904)	--	--	(37,564)	(38,541)	--	(41,670)
NET CHANGE IN FUND BALANCES	(3,278,751)	3,212,800	(1,553,437)	2,465,603	(5,483,528)	(2,119,720)	268,204	(4,060,821)
Fund Balance – Beginning	<u>8,801,111</u>	<u>8,801,111</u>	<u>12,013,911</u>	<u>12,013,911</u>	<u>14,479,514</u>	<u>14,479,514</u>	<u>10,821,728</u>	<u>12,359,794</u>
Fund Balances – Ending	<u>\$5,522,360</u>	<u>\$12,013,911</u>	<u>\$10,460,474</u>	<u>\$14,479,514</u>	<u>\$8,995,986</u>	<u>\$12,359,794</u>	<u>\$11,089,932</u>	<u>\$8,298,973</u>

⁽¹⁾ Sourced from the District's audited financial statements for each fiscal year. Budget figures reflect the District's original operating budget, which is developed the District and approved by the Board prior to close of the accounting cycle for the prior fiscal year.

⁽²⁾ On behalf payments of \$2,847,449, \$3,609,264 and \$4,143,895 were included in the actual revenues and expenditures, but were not included in the budgeted amounts for fiscal years 2015-16, 2016-17 and 2017-18, respectively.

⁽³⁾ From the District's Second Interim Financial Report for fiscal year 2018-19, approved March 20, 2019.

Source: The District.

District Debt Structure

Schedule of Long-Term Debt. A schedule of changes in District’s long-term debt for the year ended June 30, 2018, is shown below:

	Balance <u>July 1, 2017</u> ⁽¹⁾	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>
General obligation bonds	\$124,201,907	\$1,627,576	\$4,245,000	\$121,584,483
Premium on bonds	4,967,777	--	439,723	4,528,054
Certificates of participation	6,420,000	--	345,000	6,075,000
Qualified school construction bonds	1,457,084	--	120,430	1,336,654
Qualified zone academy bonds	5,000,000	--	--	5,000,000
Capital leases	688,290	--	165,753	522,537
Compensated absences	400,214	191,863	--	592,077
Supplemental employee retirement plan (SERP)	172,715	--	172,715	--
Net OPEB liability ⁽²⁾	803,440	--	101,989	701,451
Choice 2000 settlement agreement ⁽³⁾	<u>587,500</u>	--	<u>117,500</u>	<u>470,000</u>
Totals ⁽⁴⁾	<u>\$144,698,927</u>	<u>\$1,819,439</u>	<u>\$5,708,110</u>	<u>\$140,810,256</u>

(1) Long-term obligations for 2017 have been restated due to implementation of GASB Statement No. 75.

(2) See “THE DISTRICT – Post-Employment Benefits” herein.

(3) See “— Choice 2000 Settlement” below.

(4) Does not include the Special Tax Bonds of community facilities districts of the District. Debt service on such Special Tax Bonds is paid from the proceeds of special taxes levied against taxable real property within the respective community facilities districts. See “TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt” and “– Non-Obligatory Debt; Community Facilities Districts” below.

Source: *The District*.

General Obligation Bonds. The District received authorization at an election held on November 2, 1999, by eligible voters within the District, to issue not to exceed \$16,000,000 of general obligation bonds (the “1999 Authorization”). On May 25, 2000, the District issued an aggregate principal amount of \$8,313,075.35 of its General Obligation Bonds, 1999 Election, Series A (the “1999 Election, Series A Bonds”) pursuant to the 1999 Authorization. On November 19, 2002, the District issued an aggregate principal amount of \$7,686,806.70 of its General Obligation Bonds, 1999 Election, Series B (the “1999 Election, Series B Bonds”) pursuant to the 1999 Authorization. Approximately \$117.95 remains available under the 1999 Authorization.

The District received authorization at an election held on November 2, 2004, by eligible voters within the District, to issue not to exceed \$46,000,000 of general obligation bonds (the “2004 Authorization”). On March 29, 2005, the District issued (i) an aggregate principal amount of \$38,764,557.85 of its General Obligation Bonds, 2004 Election, Series A (the “2004 Election, Series A Bonds”) pursuant to the 2004 Authorization and (ii) an aggregate principal amount of \$7,805,000.00 of its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) the proceeds of which were used to refund certain maturities of each of the 1999 Election, Series A Bonds and the 1999 Election, Series B Bonds. On April 27, 2006, the District issued an aggregate principal amount of \$7,232,820 of its General Obligation Bonds, 2004 Election, Series B (the “2004 Election, Series B Bonds”) pursuant to the 2004 Authorization. Approximately \$2,622.15 remains available under the 2004 Authorization.

The District received authorization at an election held on November 6, 2012, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$153,420,000 of general obligation bonds (the “2012 Authorization”). On August 6, 2013, the District issued an aggregate principal amount of \$35,000,000 of its General Obligation Bonds, 2012 Election, Series A (the “2012 Election, Series A Bonds”) pursuant to the 2012 Authorization. On October 20, 2015, the District issued an aggregate principal amount of \$40,413,023.50 of its General Obligation Bonds, 2012 Election, Series

B(the “2012 Election Series B Bonds”) pursuant to the 2012 Authorization. Approximately \$78,006,976.50 remains available under the 2012 Authorization.

On December 4, 2014, the District issued an aggregate principal amount of \$26,510,000 of its 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) the proceeds of which were used to advance refund certain maturities of the 2004 Election, Series A Bonds.

The table below presents the annual debt service requirements on all of the District’s outstanding general obligation bonded debt, including the Bonds.

Year Ending (September 1)	1999 Election Series A ⁽¹⁾	1999 Election Series B	2004 Election Series A ⁽²⁾	2004 Election Series B	2012 Election Series A	2014 Refunding	2012 Election Series B	The Bonds	Total Annual Debt Service
2019	\$910,000	\$685,000	--	\$797,400	\$1,611,669	\$2,757,200	\$2,541,100		
2020	955,000	720,000	--	834,200	1,663,269	2,914,700	2,686,350		
2021	1,005,000	750,000	--	868,400	1,717,669	3,079,950	2,841,600		
2022	1,055,000	790,000	--	1,000,000	1,774,669	3,251,950	1,250,850		
2023	1,105,000	830,000	--	--	1,829,069	3,440,600	1,335,850		
2024	1,160,000	870,000	--	--	1,892,569	3,640,100	1,406,600		
2025	1,000,000	1,130,000	--	--	1,952,069	3,852,600	1,483,600		
2026	--	2,235,000	--	--	2,017,469	4,071,600	1,566,350		
2027	--	2,345,000	\$4,835,000	--	2,083,750	--	1,654,350		
2028	--	--	5,115,000	--	2,150,488	--	1,747,100		
2029	--	--	5,410,000	--	2,217,488	--	1,844,100		
2030	--	--	2,700,000	--	2,289,238	--	1,948,550		
2031	--	--	--	--	2,365,238	--	2,054,250		
2032	--	--	--	--	2,442,225	--	2,163,700		
2033	--	--	--	--	2,522,125	--	2,283,700		
2034	--	--	--	--	2,604,413	--	2,408,700		
2035	--	--	--	--	2,688,563	--	2,538,700		
2036	--	--	--	--	2,774,050	--	2,673,700		
2037	--	--	--	--	2,865,350	--	2,818,700		
2038	--	--	--	--	2,956,675	--	2,973,700		
2039	--	--	--	--	3,057,500	--	3,129,063		
2040	--	--	--	--	3,153,000	--	3,299,600		
2041	--	--	--	--	3,257,500	--	3,475,000		
2042	--	--	--	--	3,360,000	--	3,664,600		
2043	--	--	--	--	--	--	5,312,400		
2044	--	--	--	--	--	--	5,564,600		
2045	--	--	--	--	--	--	5,829,200		
Totals	\$7,190,000	\$10,355,000	\$18,060,000	\$3,500,000	\$57,246,055	\$27,008,700	\$72,496,013		

(1) Final maturity is March 1, 2025.

(2) Final maturity is March 1, 2030.

(3) Totals may not add due to rounding.

Certificates of Participation. On December 20, 2007, the District caused the execution and delivery of its 2007 Certificates of Participation (School Refinancing Project) (the “2007 COPs”) in the aggregate principal amount of \$9,100,000, the net proceeds of which were used to defease and prepay the District’s then-outstanding Convertible Capital Appreciation Certificates of Participation (2000 School Facilities Project).

[On May __, 2019, the District caused the execution and delivery of its 2019 Certificates of Participation (the “2019 COPs”) in the aggregate principal amount of \$_____. The proceeds of the 2019 COPs are being used to prepay the 2007 COPs, fund additional District capital facilities improvements, fund a debt service reserve fund established for the 2019 COPs, and pay the costs related to the execution and delivery of the 2019 COPs. The 2019 COPs are an obligation of the District payable from any source of legally available funds, and the obligation of the District to make payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of

taxation or for which the District has levied or pledged any form of taxation. The 2019 COPs will evidence fractional and undivided interests in the right to receive certain lease payments, and any prepayments thereof, to be made by the District pursuant to the Lease by and between the District and the Perris Valley Schools Capital Facilities Corporation. Such lease payments are designed to pay, when due, the principal and interest with respect to the 2019 Certificates. The District will covenant in the Lease to take such action as may be necessary to include such lease payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor.]

The following table displays the total annual lease payment requirements of the District related to the 2019 COPs (and assuming no optional prepayments):

<u>Year Ending</u> <u>(October 1)</u>	<u>Total Annual</u> <u>Lease Payments*</u>
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	
2046	
2047	
2048	
2049	
2050	
Total	\$

Qualified School Construction Bonds. On September 15, 2011, the District entered into a lease purchase agreement in the aggregate principal amount of \$2,100,000 (the “QSCB Lease Agreement”), which was designated as a “Qualified School Construction Bond” for purposes of the American Recovery and Reinvestment Act of 2009. The District expects to receive, on or about each lease payment date under the QSCB Lease Agreement, a cash subsidy payment (each a “Subsidy Payment”) from the United States Treasury (the “Treasury”) equal to the lesser of (a) the interest component of the lease payment due on such lease payment date or (b) an amount equal to the interest component that would have been payable on such lease payment date if such interest were determined at a federal tax credit rate applicable

to the QSCB Lease Agreement (the “Tax Credit Rate”), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury. However, the Subsidy Payment is subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payment by 6.2% through the end of the current federal fiscal year (September 30, 2019). In the absence of action by the U. S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

The District’s annual requirements to make lease payments with respect to the QSCB Lease Agreement are as follows:

<u>Year Ending (September 1)</u>	<u>Amount Attributable to Principal</u>	<u>Amount Attributable to Interest</u>	<u>Total Annual Lease Payments⁽¹⁾</u>
2019	\$122,172.04	\$69,376.37	\$191,548.41
2020	123,347.71	62,555.06	185,902.77
2021	124,534.69	55,668.10	180,202.79
2022	125,733.09	48,714.87	174,447.96
2023	126,943.02	41,694.73	168,637.75
2024	128,164.61	34,607.03	162,771.64
2025	129,397.94	27,451.13	156,849.07
2026	130,643.14	20,226.37	150,869.51
2027	131,900.33	12,932.08	144,832.41
2028	<u>133,169.62</u>	<u>5,567.60</u>	<u>138,737.22</u>
Total	\$1,276,006.19	\$378,793.34	\$1,654,799.53

⁽¹⁾ Does not reflect receipt of Subsidy Payments.

Capital Leases. The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District’s liability, as of June 30, 2018, on lease agreements with options to purchase is summarized below:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2019	\$182,960
2020	182,960
2021	<u>182,960</u>
Total	\$548,880
Less: Amount Representing Interest	<u>(26,343)</u>
Present Value of Minimum Lease Payments	\$522,537

Choice 2000 Settlement. In recent years, the District had an ongoing dispute with the State Board of Education and the State Department of Education regarding the calculation of ADA and resultant funding for the District’s on-line grades 9-12 charter school (“Choice 2000”). The District closed Choice 2000 at the end of the 2012-13 school year and the litigation regarding the funding of Choice 2000 was settled in April 2014. Pursuant to such settlements, the District will repay a total of \$940,000 to the State over a period of eight years. The District’s liability, as of June 30, 2018, with respect to such settlements is summarized below:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2018-19	\$117,500
2019-20	117,500
2020-21	117,500
2021-22	<u>117,500</u>
Total	\$470,000

Non-Obligatory Debt; Community Facilities Districts. The District has established two Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended. The District’s Community Facilities District No. 91-1 (“CFD No. 91-1”) was established in March 1991 and the District’s Community Facilities District No. 92-1 (“CFD No. 92-1”) was established in July 1992. The outstanding Special Tax Bonds issued by each of these community facilities districts were acquired by the Perris Union High School District Financing Authority (the “District Financing Authority”) and provide revenues to pay debt service on the District Financing Authority’s 2015 Revenue Bonds (the “2015 Financing Authority Bonds”). The annual payments for the Special Tax Bonds are secured solely by the special taxes levied on taxable property in the respective community facilities district and are not obligations of the District. See “TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt” herein.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

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

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

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

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

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

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

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

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX B.

LIMITATION ON REMEDIES; BANKRUPTCY

General

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

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

Statutory Lien

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

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not

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

Possession of Tax Revenues; Remedies

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

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX B is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (the District’s fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than April 1, 2020), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. [TO COME]

Legality for Investment in California

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

Enhanced Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Absence of Material Litigation

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

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

Legal Opinion

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 28, 2018, of Vavrinek, Trine, Day & Co., LLP (the “Auditor”), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the reports of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its reports.

RATINGS

Moody's and S&P have assigned underlying ratings of “___” and “___” to the Bonds. 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 agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and S&P Global Ratings, 55 Water Street, New York, New York 10041.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. 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 by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption “LEGAL MATTERS – Continuing Disclosure” above and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from Moody's or S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to Moody's and S&P, their websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

FINANCIAL ADVISOR

The District has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which is equal to the principal amount of the Bonds of \$_____, plus original issue premium of \$_____, less the Underwriter's discount of \$_____. The Bond Purchase Agreement for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

Underwriter Disclosure. The Underwriter has provided the following information for inclusion in this Official Statement:

While the Underwriter does not believe that the following represent a potential or actual material conflict of interest, it notes that:

In August 2012 and October 2012, the Underwriter contributed to the general obligation bond campaign Committee for Quality Schools. The Underwriter's Fabric of Society program provided a scholarship to a graduating senior from the District in 2014 and 2015. The Underwriter sponsored a Perris Union Management Association Golf Tournament and a celebrity karaoke event.

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ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

By _____
Deputy Superintendent, Business Services

APPENDIX A
FISCAL YEAR 2017-18 AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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

_____, 2019

Board of Trustees
Perris Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Perris Union High School District Election of 2018 General Obligation Bonds, Series A (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a 55% vote of the qualified electors of the Perris Union High School District (the “District”) voting at an election held on November 6, 2018, and a resolution of the Board of Trustees of the District (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the

Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

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

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

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

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

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

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Perris Union High School District (the “District”) in connection with the issuance of \$ _____ of the District’s Election of 2018 General Obligation Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District dated _____, 2019 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Holders” shall mean registered owners of the Bonds.

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

“Official Statement” means that certain official statement, dated _____, 2019, relating to the offering and sale of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a timely notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

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

SECTION 4. Content and Form of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

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

(ii) The District’s approved annual budget for the then-current fiscal year.

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

- (A) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;
- (B) If Riverside County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year.
- (C) Top ten property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value, if material.
- (D) Average Daily Attendance of the District for the most recently completed school year.

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

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. optional, contingent or unscheduled Bond calls.
4. defeasances.
5. rating changes.
6. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

11. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: _____, 2019

PERRIS UNION HIGH SCHOOL DISTRICT

By _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: PERRIS UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: Election of 2018 General Obligation Bonds, Series A

Date of Issuance: _____, 2019

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

Dated: _____

PERRIS UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR RIVERSIDE COUNTY, THE CITY OF MENIFEE AND THE CITY OF PERRIS

The District covers approximately 182 square miles in the northwestern part of Riverside County (the “County”). A majority of the City of Perris (“Perris”) and all of the City of Menifee (“Menifee”) and, together with Perris, the “Cities”) lies within the District’s boundaries. The following economic data for the Cities and the County are presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of the Cities nor of the County.

General

The County is the fourth largest county in the State of California (the “State”), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its County seat located in the city of Riverside. Perris is bordered by the Interstate 215 freeway and Highway 74. Menifee is located in the south central portion of the County north of Murrieta, west of Hemet, east of Canyon Lake and southeast of Perris.

Population

The following table summarizes population estimates for the Cities, County and State of California (the “State”) for the past ten years.

POPULATION ESTIMATES City of Menifee, City of Perris, County of Riverside, and State of California 2009-2018

<u>Year</u> ⁽¹⁾	<u>City of Menifee</u>	<u>City of Perris</u>	<u>County of Riverside</u>	<u>State of California</u>
2009	75,707	65,422	2,140,626	36,966,713
2010 ⁽²⁾	77,519	68,386	2,189,641	37,253,956
2011	78,836	69,400	2,212,675	37,529,913
2012	80,793	71,097	2,240,166	37,874,977
2013	82,476	72,002	2,265,789	38,234,391
2014	83,968	73,351	2,291,262	38,568,628
2015	85,801	74,866	2,317,895	38,912,464
2016	87,608	76,070	2,346,717	39,179,627
2017	89,552	77,311	2,382,640	39,500,973
2018	91,902	77,837	2,415,955	39,809,693

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18. California Department of Finance for January 1.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State and United States from 2008 through 2017.

PER CAPITA PERSONAL INCOME Riverside County, State of California, and United States of America 2008-2017

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States of America</u>
2008	\$31,627	\$43,895	\$40,904
2009	30,451	42,050	39,284
2010	30,685	43,609	40,545
2011	32,179	46,145	42,727
2012	32,707	48,751	44,582
2013	33,383	49,173	44,826
2014	34,732	52,237	47,025
2015	36,603	55,679	48,940
2016	37,827	57,497	49,831
2017	39,261	59,796	51,640

Note: Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in current dollars (not adjusted for inflation).

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

Retail Trade

The following tables show summaries of annual taxable sales for the Cities and the Counties from 2012 through 2016.

ANNUAL TAXABLE SALES 2012 through 2016 City of Menifee (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2012	673	\$410,227	918	\$449,121
2013	673	429,966	919	474,050
2014	761	461,310	987	516,679
2015	823	518,584	1,251	580,358
2016	872	553,479	1,342	628,923

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

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

**ANNUAL TAXABLE SALES
2012 through 2016
City of Perris
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2012	829	\$397,880	1,100	\$622,840
2013	720	438,784	987	738,592
2014	711	467,283	976	791,955
2015	795	510,100	1,164	815,256
2016	797	651,022	1,178	980,763

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

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

**ANNUAL TAXABLE SALES
2012 through 2016
County of Riverside
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2012	34,683	\$20,016,668	48,316	\$28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	38,184	23,281,724	56,846	32,910,910
2016	38,445	24,022,135	57,771	34,231,143

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

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

Employment

The following table summarizes the civilian labor force, employment and unemployment for the Cities, County and State during calendar years 2013 through 2017.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Menifee, City of Perris, County of Riverside, and State of California 2013-2017

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2013	City of Menifee	35,600	31,500	4,100	11.5%
	City of Perris	28,800	24,700	4,100	14.1%
	County of Riverside	996,400	897,700	98,700	9.9
	State of California	18,624,300	16,958,700	1,665,600	8.9
2014	City of Menifee	36,100	32,600	3,400	9.6%
	City of Perris	29,000	25,600	3,400	11.8%
	County of Riverside	1,013,500	930,400	83,100	8.2
	State of California	18,755,000	17,348,600	1,406,400	7.5
2015	City of Menifee	36,800	33,900	2,900	7.8%
	City of Perris	29,400	26,600	2,900	9.7%
	County of Riverside	1,035,700	966,300	69,400	6.7
	State of California	18,893,200	17,723,300	1,169,900	6.2
2016	City of Menifee	37,300	34,700	2,600	7.1%
	City of Perris	29,800	27,200	2,600	8.8%
	County of Riverside	1,052,600	988,200	64,500	6.1
	State of California	19,102,700	18,065,000	1,037,700	5.4
2017	City of Menifee	35,900	34,100	1,900	5.2%
	City of Perris	30,500	28,500	2,000	6.7%
	County of Riverside	1,072,500	1,016,200	56,300	5.2
	State of California	19,312,000	18,393,100	918,900	4.8

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2017.

Industry

Employment data by industry is not separately reported on an annual basis for the Cities but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of the County and San Bernardino County. The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2014 through 2018.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES Riverside-San Bernardino-Ontario Metropolitan Statistical Area 2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	14,400	14,800	14,600	14,500	14,500
Mining and Logging	1,300	1,300	900	1,000	1,200
Construction	77,600	85,700	92,000	97,400	104,800
Manufacturing	91,400	96,200	98,700	99,200	101,300
Wholesale Trade	58,100	60,500	61,600	62,600	64,900
Retail Trade	169,600	174,400	178,300	180,900	180,800
Transportation, Warehousing & Utilities	87,100	98,100	108,000	122,100	132,600
Information	11,300	11,400	11,500	11,300	11,200
Financial Activities	42,900	44,000	44,600	44,200	43,700
Professional and Business Services	138,700	147,400	144,900	146,900	150,600
Education and Health Services	195,900	206,300	215,700	226,700	240,000
Leisure and Hospitality	144,800	151,700	160,200	166,300	170,000
Other Services	43,000	44,000	44,600	45,400	45,600
Government	<u>228,800</u>	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,500</u>
Total All Industries	1,304,800	1,369,100	1,417,900	1,469,400	1,518,700

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

Largest Employers

The following tables list the largest employers in the County and Menifee as of June 30, 2017, and Perris as of June 30, 2018.

LARGEST EMPLOYERS County of Riverside June 30, 2018

<u>Employer</u>	<u>Number of Employees</u>
1. County of Riverside	22,038
2. March Air Reserve Base	9,000
3. University of California at Riverside	8,829
4. Kaiser Permanente Riverside Med. Center	5,500
5. Corona-Norco Unified School District	5,478
6. Pechanga Resort & Casino	4,750
7. Riverside Unified School District	4,500
8. Hemet Unified School District	4,058
9. Riverside University Health Systems - Medical Center	3,965
10. Morongo Casino, Resort & Spa	3,800

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

LARGEST EMPLOYERS

City of Menifee

June 30, 2018

<u>Employer</u>	<u>Employees</u>
1. Menifee Union School District	2,400
2. Mt. San Jacinto Community Coll. District	2,100
3. Romoland Elementary School District	411
4. Menifee Valley Medical Center	365
5. Sodexo	315
6. Target Corporation	262
7. CAR Enterprises	260
8. United Parcel Service	235
9. Perris Union School District ⁽¹⁾	220
10. Southern California Edison	185

⁽¹⁾ For updated information regarding the District's employees, see "THE DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of Menifee 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

LARGEST EMPLOYERS

City of Perris

June 30, 2018

<u>Employer</u>	<u>Employees</u>
1. Ross Stores Inc.	1,921
2. Perris Union High School District ⁽¹⁾	938
3. Perris Elementary School District	780
4. Lowe's CA Regional Distribution Center	762
5. Eastern Municipal Water District	611
6. NFI Industries ⁽²⁾	560
7. National Stores Inc (aka Fallas, Factory 2 U) ⁽³⁾	485
8. California Trus CO Inc	375
9. Home Depot Distribution Center	263
10. CR&R Waste	262

⁽¹⁾ For updated information regarding the District's employees, see "THE DISTRICT – Labor Relations" in the front part of this Official Statement.

⁽²⁾ Supply chain management for Hanes, Whirlpool and Amazon.

⁽³⁾ Includes sub-contracted employees from temp services.

Source: City of Perris 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

Construction Activity

Provided below are the building permits and valuations for the County and Cities for years 2013 through 2017.

BUILDING PERMITS AND VALUATIONS County of Riverside 2013-2017 (Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535	\$1,903,417
Non-residential	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,020</u>	<u>1,433,691</u>
Total	\$2,251,583	\$2,436,741	\$2,448,207	\$3,105,555	\$3,337,108
<u>Residential Units:</u>					
Single family	4,716	5,007	5,007	5,662	714
Multiple family	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>0</u>
Total	6,143	6,938	6,196	6,701	714

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Menifee 2013-2017 (Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$156,025	\$161,274	\$137,783	\$183,833	\$220,269
Non-residential	<u>18,148</u>	<u>5,971</u>	<u>33,163</u>	<u>38,953</u>	<u>17,705</u>
Total	\$174,173	\$167,245	\$170,946	\$222,786	\$237,974
<u>Residential Units:</u>					
Single family	517	465	404	564	714
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	517	465	404	564	714

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Perris
2013-2017
(Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$21,422	42,466	\$43,065	\$31,831	\$22,785
Non-residential	<u>47,499</u>	<u>95,310</u>	<u>102,682</u>	<u>307,126</u>	<u>299,732</u>
Total	\$68,921	137,776	\$145,747	\$338,957	\$322,517
 <u>Residential Units:</u>					
Single family	112	207	170	120	71
Multiple family	<u>75</u>	<u>126</u>	<u>0</u>	<u>104</u>	<u>0</u>
Total	187	233	170	224	71

Note: Columns may not add to totals due to rounding.
Source: *Construction Industry Research Board.*

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The information on the following pages concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of Riverside County and has not been confirmed or verified by the District or the Underwriter. No representation is made by the District or Underwriter as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that any information contained or incorporated therein by reference is correct as of any time subsequent to its date.

APPENDIX F
TABLE OF ACCRETED VALUES