

NEW ISSUE – BOOK ENTRY ONLY

INSURED RATING: S&P “__”
UNDERLYING RATING: S&P: “__”
(See “RATINGS” herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest (and original issue discount) 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 Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Certificates.

\$ _____*

**PERRIS UNION HIGH SCHOOL DISTRICT
2019 Certificates of Participation
(School Financing Project)**

**Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
PERRIS UNION HIGH SCHOOL DISTRICT**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

This cover page contains information for general reference only. It is not a complete summary of the Certificates, the Trust Agreement or the Lease. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates. Capitalized terms used but not otherwise defined on the cover page hereof shall have the meanings assigned herein.

The Perris Union High School District 2019 Certificates of Participation (School Financing Project) (the “Certificates”), are being executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2019 (the “Trust Agreement”), by and among U.S. Bank National Association, as trustee, the Perris Valley Schools Capital Facilities Corporation (the “Corporation”) and the Perris Union High School District (the “District”). The proceeds of the Certificates will be used to (i) prepay the lease obligations of the District related to its outstanding 2007 Certificates of Participation, (ii) finance capital improvements to District sites and facilities, (iii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the debt service reserve fund established for the Certificates, and (iv) pay certain costs related to the execution and delivery of the Certificates.

Pursuant to a Site Lease, dated as of May 1, 2019, the District will lease certain real property of the District and the school facilities located thereon as further described herein (the “Property”), to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of May 1, 2019 (the “Lease”), by and between the Corporation and the District. The Certificates evidence fractional interests in Lease Payments to be made by the District, as lessee under the Lease, for use and possession of the Property. The District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. **The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property.**

The Certificates will be delivered in book-entry form only, and will be initially delivered 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 Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. The Certificates shall be dated their date of delivery and shall represent interest payable semiannually on each April 1 and October 1, commencing October 1, 2019. The Certificates shall be delivered in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

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

[INSURER LOGO]

The Certificates are subject to extraordinary prepayment, optional prepayment and mandatory sinking fund prepayment prior to their stated maturity dates as further described herein.*

The obligation of the District to make Lease 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. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the District to make Lease Payments is subject to the District’s beneficial use and possession of the Property.

**Maturity Schedule
(see inside front cover)**

The Certificates are offered when, as and if delivered, 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 Special Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, and for the Trustee and the Corporation by their respective counsels. The Certificates, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about May __, 2019.

[Stifel logo]

Dated April __, 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 officers 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 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*

Base CUSIP⁽¹⁾:

\$ _____

**Perris Union High School District
2019 Certificates of Participation
(School Financing Project)**

\$ _____ Serial Certificates

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ Suffix</u>
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\$ _____ – ____ % Term Certificates due October 1, 20__ – Yield: ____ %; CUSIP⁽¹⁾ Suffix:

* Preliminary, subject to change.

⁽¹⁾ 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.

Certain of the information contained herein, other than that provided by the District, has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. 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 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall under any circumstances create any implication that there has been no change in the affairs of the District, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this 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 prior to registration or qualification under the securities laws of any such jurisdiction.

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.

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 THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Certificates.

**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

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

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\$ _____*

**PERRIS UNION HIGH SCHOOL DISTRICT
2019 Certificates of Participation
(School Financing Project)**

**Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
PERRIS UNION HIGH SCHOOL DISTRICT**

INTRODUCTION

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

This Official Statement provides certain information concerning the sale and delivery of \$ _____* of Perris Union High School District 2019 Certificates of Participation (School Financing Project) (the “Certificates”), evidencing the fractional interests of the Owners thereof (as hereinafter defined) in Lease Payments (as hereinafter defined) to be made by the Perris Union High School District (the “District”) pursuant to a Lease/Purchase Agreement, dated as of May 1, 2019 (the “Lease”), by and between the Perris Valley Schools Capital Facilities Corporation, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of the real property and school facilities thereon known as Paloma Valley High School (the “Property”).

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

* Preliminary, subject to change.

responsibility of its Superintendent. Grant Bennett is the Superintendent of the District and Candace Reines is the Deputy Superintendent, Business Services.

For more information regarding the District, see also “PERRIS UNION HIGH SCHOOL DISTRICT” and “DISTRICT FINANCIAL MATTERS” herein. The District’s audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as Appendix C and should be read in their entirety.

Purpose of the Certificates

The proceeds of the Certificates will be used to (i) prepay the lease obligations of the District related to its outstanding 2007 Certificates of Participation (the “2007 Certificates”), (ii) finance capital improvements to District sites and facilities, (iii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the debt service reserve fund (the “Reserve Fund”) established for the Certificates, and (iv) pay certain costs related to the execution and delivery of the Certificates. See also “THE PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Security and Source of Payment of the Certificates

The Certificates are being executed and delivered pursuant to a Trust Agreement (the “Trust Agreement”), dated as of May 1, 2019, by and among the District, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”). The District is required under the Lease to pay Lease Payments for the use and possession of the Property, as further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments, and is responsible for all maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of May 1, 2019 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease and a Site Lease, dated as of May 1, 2019 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments and prepayments from the District under the Lease and rights as may be necessary to enforce the payment of such Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates.

The District has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Lease Payments” herein. Notwithstanding the foregoing, the District expects to make Lease Payments due under the Lease from special tax revenue collected in connection with Community Facilities District No. 92-1 of the Perris Union High School District (“CFD No. 92-1”). See “DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Special Taxes” and “DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS – Abatement” herein.

The obligation of the District to make Lease 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. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California (the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Description of the Certificates

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES” herein and “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.

Registration, Transfers and Exchanges. The Certificates will be executed and delivered as fully registered Certificates, 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 interests in the Certificates (the “Beneficial Owners”), under the book-entry 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 Certificates, but will instead receive credit balances on the books of their respective nominees. See “APPENDIX E – BOOK-ENTRY ONLY SYSTEM” attached hereto. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement.

So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the “Owners” “Certificate Owners” or “Holders” of the Certificates (other than under the caption “TAX MATTERS” and in Appendix B) will mean Cede & Co. and will not mean the Beneficial Owners of interests in the Certificates.

Payments. The Certificates shall be dated as of their date of delivery and shall represent interest therefrom, payable semiannually on each April 1 and October 1, commencing October 1, 2019 (each, a “Certificate Payment Date”). Principal with respect to the Certificates shall be payable on each October 1, in the amounts and years as set forth on the inside cover page hereof.

Principal and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered Owners of the Certificates and will be paid principal and interest by the Trustee, all as described herein. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and “APPENDIX E – BOOK-ENTRY ONLY SYSTEM” attached hereto.

Prepayment.* The Certificates are subject to optional prepayment, extraordinary prepayment and mandatory sinking fund prepayment as further described herein.

* Preliminary, subject to change.

Denominations. The Certificates are being executed and delivered in minimum denominations of \$5,000 principal amount, or any integral multiple thereof.

Bond Insurance. The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by [_____]. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Bond Insurance” herein.

Other Borrowing

The District received authorization at an election held on November 6, 2018, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$148,000,000 of general obligation bonds (the “2018 Authorization”). [On April 17, 2019, the Board of the District authorized the sale of the first series of bonds pursuant to the 2018 Authorization in an aggregate principal amount not to exceed \$148,000,000 (the “2018 Election Series A Bonds”). The 2018 Election Series A Bonds are expected to be delivered in June, 2019.*] See also “DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds” herein.

Continuing Disclosure

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s Fiscal Year (presently ending on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2019, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”). See “CONTINUING DISCLOSURE” herein and “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee with respect to the Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Special Counsel and Disclosure Counsel with respect to the Certificates. CSG Advisors Incorporated, San Francisco, California is acting as Financial Advisor to the District with respect to the Certificates. James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, will be acting as Underwriter’s Counsel with respect to the Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, CSG Advisors, Incorporated and James F. Anderson Law Firm, a Professional Corporation, will receive compensation contingent upon the execution and delivery of the Certificates and the payment of the purchase price therefor by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”).

Certificate Owners’ Risks

Certain events could affect the ability of the District to make the Lease Payments when due. See “RISK FACTORS” herein, for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

* Preliminary, subject to change.

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,” “intend,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE 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 the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the Superintendent, Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124.

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 Certificates 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 Certificates. 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 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the Certificates, the Trust Agreement, the Lease, the Assignment Agreement and the Site Lease and certain other matters relating to the security for the Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the principal office of the Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

THE PROJECT

The proceeds of the Certificates will be used to (i) prepay the lease obligations of the District related to its outstanding 2007 Certificates, (ii) finance capital improvements to District sites and facilities, (iii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the debt service reserve fund (the "Reserve Fund") established for the Certificates, and (iv) pay certain costs related to the execution and delivery of the Certificates.

Refunding of 2007 Certificates

On December 20, 2007, the District caused the execution and delivery of the 2007 Certificates evidencing principal in an amount equal to \$9,100,000. The 2007 Certificates currently evidence outstanding principal in an amount equal to \$5,715,000. The table below shows information regarding the 2007 Certificates.

2007 CERTIFICATES Perris Union High School District 2007 Certificates of Participation

<u>Maturity (October 1)</u>	<u>Rate</u>	<u>Initial Principal Amount</u>	<u>Outstanding Principal to be Prepaid</u>	<u>CUSIP</u>	<u>Prepayment Price</u>
2019	4.000%	\$380,000	\$380,000	714399BY7	100%
2020	4.000	390,000	390,000	714399BZ4	100
2021	4.000	410,000	410,000	714399CA8	100
2022	4.000	425,000	425,000	714399CB6	100
2023	4.125	445,000	445,000	714399CE0	100
2026	4.250	1,435,000	1,435,000	714399CC4	100
2030	4.500	2,230,000	2,230,000	714399CD2	100

Pursuant to the Trust Agreement, a portion of the proceeds of the Certificates will be transferred to U.S. Bank, as trustee for the 2007 Certificates (the "2007 Certificates Trustee") pursuant to that certain Trust Agreement, dated as of December 1, 2007 (the "2007 Certificates Trust Agreement"), by and among the District, the Corporation, and the 2007 Certificates Trustee. Such proceeds, together with additional funds available under the 2007 Certificates Trust Agreement, will be used to prepay all remaining obligations of the District to make lease payments in connection with the 2007 Certificates, and to effect the prepayment in full of the 2007 Certificates. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

Additional Projects

The remaining net proceeds of the Certificates are expected to be used to finance priority facilities projects of the District, including a portion of the cost of construction of a new District high school, Liberty High School, to serve the City of Menifee and surrounding areas. The total cost of construction of Liberty High School is currently estimated at \$_____, and, in addition to the net proceeds of the Certificates, is expected to be funded with proceeds of District general obligation bonds, and other available funds. See also “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE PROPERTY

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of the District’s Paloma Valley High School, located at 31375 Bradley Road, in Menifee, California, a comprehensive high school facility with a current enrollment of approximately 3,146 students. The Property comprises a site of 56.5 acres, and structures totaling approximately 296,435 square feet of building area, as well as athletic fields and parking facilities. The Property includes classrooms, laboratories, athletic facilities and fields, arts facilities, offices, administrative spaces, parking and custodial facilities. The high school facility was first constructed in 1995.

The improvements on the Property currently have a total estimated insured replacement value of approximately \$75 million. See also “RISK FACTORS – Property Values” herein.

THE CERTIFICATES

General

The Certificates will be executed in the aggregate principal amount of \$_____.* The Certificates will be dated the date of delivery (the “Date of Delivery”), and will be executed as fully registered book-entry Certificates, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and will mature on October 1 of each year, as set forth on the inside cover page hereof.

Interest with respect to the Certificates will be payable each Certificate Payment Date, commencing on October 1, 2019, at the rates per annum set forth on the inside cover page hereof. If a Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereto; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a Business Day) (each, a “Record Date”) and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on September 15, 2019, interest with respect thereto will be payable from the Date of Delivery. Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments to be made by the District. To the extent Lease Payments are abated or not made under the Lease, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS – Abatement” herein. If the Lease is prepaid in part, for any reason, the Certificate Owner will be entitled only to the remaining Lease Payments.

* Preliminary, subject to change.

Principal and premium, if any, with respect to the Certificates will be payable upon surrender by the Owners thereof at the principal office of the Trustee. Interest with respect to the Certificates will be payable by wire transfer to a bank account within the United States that is on record with the Trustee as of the Record Date.

Prepayment

Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any day, in whole or in part, from the proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof (collectively, "Net Proceeds"), which the Trustee shall deposit in the Prepayment Fund or other moneys deposited with the Trustee as provided in the Lease at least 45 days prior to the date set for such extraordinary prepayment and credited towards the prepayment made by the District pursuant to the Lease, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

Prepayments from Net Proceeds and the resulting redemption of Certificates that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Certificates. See "RISK FACTORS – Extraordinary Prepayment from Net Proceeds" herein.

Optional Prepayment.* The Certificates evidencing principal maturing on or after October 1, 20__ are subject to optional prepayment prior to their stated maturities, in whole or in part, on any day on or after October 1, 20__, from any lawfully available source of funds in the event the District exercises its option under the Lease to prepay the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment.* The Certificates evidencing principal maturing on October 1, 20__, are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on October 1 of each year on and after October 1, 20__, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of such Lease Payments to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

<u>Year Ending</u> <u>October 1</u>	<u>Principal Component</u> <u>To Be Prepaid</u>
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⁽¹⁾ Maturity.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, as directed by the District or, if the District does not so direct, pro rata among maturities and within each maturity by lot.

* Preliminary, subject to change.

Prepayment Procedures

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of interest payable with respect to each Certificate being prepaid, and (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount evidenced by such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be sent (i) by registered or certified mail, postage prepaid, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than forty-five (45) days, prior to the prepayment date, (ii) by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Depository on the date of mailing of notice to the Owners, and (iii) by registered or certified mail, postage prepaid, or overnight delivery service to the national Information Services that disseminate securities redemption notices, on the date notice is mailed to the Owners. Notice of prepayment shall also be sent as required by the Continuing Disclosure Certificate.

Neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

“Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system.

Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund or as otherwise permitted by the Trust Agreement, the Certificates shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the Principal Office of the Trustee, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

Effect of Notice of Prepayment. If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee (or such other escrow agent as shall be selected by the District) so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

Rescission of Notice of Prepayment. With respect to any notice of prepayment of Certificates, unless upon the giving of such notice such Certificates shall be deemed to have been defeased pursuant to the Trust Agreement, such notice shall state that such prepayment shall be conditional upon the receipt by the Trustee (or an independent escrow agent selected by the District) on or prior to the date fixed for such prepayment of the moneys necessary and sufficient to pay the principal, premium, if any, and interest with respect to such Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect, the Certificates shall not be subject to prepayment on such date and the Certificates shall not be required to be prepaid on such date. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of prepayment was given, that such moneys were not so received.

Additional Certificates

Under the terms of the Trust Agreement the District is authorized to sell Additional Certificates secured by Lease Payments for use and occupancy of the Property. Such Additional Certificates would be payable from legally available moneys of the District and be subject to appropriation. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement” attached hereto.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULES

Lease Payments are required to be made by the District under the Lease on or before March 15 and September 15 of each year (each, a “Lease Payment Date”) for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on October 1, 20__, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the “Lease Payment Fund”). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the Certificates when due.

The table on the following page summarizes the semi-annual Certificate payment requirements of the District, assuming no optional or extraordinary prepayments of the Certificates.

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payments</u>	<u>Annual Payments</u>
October 1, 2019				
April 1, 2020				
October 1, 2020				
April 1, 2021				
October 1, 2021				
April 1, 2022				
October 1, 2022				
April 1, 2023				
October 1, 2023				
April 1, 2024				
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April 1, 2046				
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April 1, 2047				
October 1, 2047				
April 1, 2048				
October 1, 2048				
April 1, 2049				
October 1, 2049				
April 1, 2050				
October 1, 2050				
Totals				

SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.

General

Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District to the Trustee under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the Owners. By the fifteenth day of each March and September (if such day is not a Business Day, the next succeeding Business Day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Property and the Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the District. See "RISK FACTORS – Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. See also "RISK FACTORS – Limited Recourse on Default" herein. Under no circumstances will the Trustee have the right to accelerate Lease Payments. See "RISK FACTORS – No Acceleration Upon Default" herein.

Lease Payments

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see "RISK FACTORS – Abatement" herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption "THE CERTIFICATES" above), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on each Lease Payment Date.

Any monies deposited in the Lease Payment Fund during the month preceding a Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing October 1, 2019, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the Certificates as the same shall become due and payable, in the amounts specified in the Lease.

Bond Insurance

[TO COME]

Reserve Fund

A debt service reserve fund (the "Reserve Fund") is established by the Trust Agreement, and the District shall maintain in the Reserve Fund an amount equal to the Reserve Requirement. With respect to the Certificates, the term "Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (i) maximum aggregate annual Lease Payments then payable under the Lease in any Certificate Year, (ii) 125% of the average annual aggregate Lease Payments then payable under the Lease (calculated based on Certificate Years), (iii) 10% of the face amount of the Certificates, or (iv) \$_____, the initial Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Certificates, the Reserve Requirement shall thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Trust Agreement. In the event of a partial prepayment or defeasance of the Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by Certificates to be redeemed and the original aggregate principal evidenced by the Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) may be applied to the prepayment or defeasance of the Certificates as provided in the Trust Agreement.

Upon the delivery of the Certificates, the District expects to deposit into the Reserve Fund a municipal bond debt service reserve insurance policy (the "Reserve Policy") to be issued by [_____], in a face amount equal to the Reserve Requirement. The full amount available in the Reserve Fund may be used by the Trustee in the event of abatement or failure by the District to make Lease Payments with respect to the Certificates. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute for the Reserve Policy, or any cash or other Reserve Facilities then-on deposit in the Debt Service Fund, another Reserve Facility or cash, or combination thereof, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Fund Requirement, as provided in the Trust Agreement.

The District is obligated to replenish the Reserve Fund up to the Reserve Requirement by paying reserve replenishment rent under the Lease ("Reserve Replenishment Rent") to the extent that amounts have been withdrawn from the Reserve Fund or a draw has been made on the Reserve Policy or any other Reserve Facility, thereby reducing the amounts available thereunder to pay principal or interest with respect to the Certificates, or there shall be a valuation deficiency in the Reserve Fund (together with all amounts available under the Reserve Policy or any other Reserve Facility) resulting from a decrease of 10% or more of the market value of the Permitted Investments therein. Reserve Replenishment Rent will

be paid, however, only if (i) Lease Payments are not in abatement (see “RISK FACTORS – Abatement” herein), (ii) the amount of such Lease Payments is less than the fair rental value of the Property and (iii) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulate gross Lease Payments. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Agreement to Lease; Term of Lease; Lease Payments – Lease Payments – Reserve Replenishment Rent” attached hereto.

To the extent that the conditions to payment of Reserve Replenishment Rent are satisfied under the Lease, the District will be obligated to pay Reserve Replenishment Rent to the Trustee regardless of whether or not the District is in default under the Lease. Interest or income received by the Trustee on investment of moneys in the Reserve Fund will be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement. In the event that amounts on deposit in the Reserve Fund exceed the Reserve Requirement, subject to the requirement of transfers to the Rebate Fund, such excess may, on or before March 15 and September 15 of each year, be transferred to the Lease Payment Fund to be applied to the Lease Payments next coming due from the District.

The Reserve Requirement will initially be satisfied by the Reserve Policy. The premium on the Reserve Policy will be fully paid at or prior to the execution and delivery of the Certificates. The Reserve Policy will provide that, upon the later of (i) the Business Day next following the Business Day of receipt by [_____] of a Notice of Nonpayment (as such term is defined in the Reserve Policy) presented by the Trustee to [_____]; or (ii) the payment date with respect to the Certificates as specified in the Notice of Nonpayment, [_____] will make a deposit of funds with the Trustee, or its successor, in an amount sufficient to pay principal and interest with respect to the Certificates, to the extent of amounts available under the Reserve Policy up to the Policy Limit (as such term is defined in the Reserve Policy). See also “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions” and “— The Trust Agreement – Reserve Fund” attached hereto.

Additional Payments

In addition to the Lease Payments, the District shall also pay such Additional Payments as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, fees and payments due to [_____] in connection with the Policy or Reserve Policy, fees and payments to the provider of any other Reserve Facility, taxes of any sort whatsoever payable by the Corporation as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease to indemnify the Corporation and its employees, officers and directors, and the Trustee and its agents, successors and assigns. The District’s obligation to make Additional Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. See “RISK FACTORS – Abatement.”

Insurance

Pursuant to the Lease, the District will obtain a CLTA leasehold title insurance policy on the Property in an amount equal to the aggregate principal component of Certificates Outstanding. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease

Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future twenty-four-month period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers' compensation insurance. The District is also obligated to procure and maintain casualty insurance providing coverage against loss or damage to the Property. The District is not required to maintain flood or earthquake insurance. See "RISK FACTORS – Natural Disasters; Absence of Earthquake and Flood Insurance" herein and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease" attached hereto.

The proceeds of any rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance award received by it either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Property substantially interferes with the District's use and possession thereof. See "RISK FACTORS – Extraordinary Prepayment from Net Proceeds" and "—Abatement" herein.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the Certificates, are as follows:

	<u>Total</u>
<u>Sources</u>	
Principal Amount	
[Plus/Net] Original Issue [Premium/Discount]	
Less Underwriter's Discount	
Total	
 <u>Uses</u>	
Project Fund ⁽¹⁾	
Prepayment of 2007 COPs	
Lease Payment Fund	
Reserve Fund	
Delivery Costs ⁽²⁾	
Total	

⁽¹⁾ Reflects the deposit to the Project Fund for Project Costs. An additional deposit shall be made to the Project Fund for the payment of the Delivery Costs associated with the Certificates (less Policy and Reserve Policy premiums, which shall be wired directly to the Insurer by the Underwriter).

⁽²⁾ Reflects all initial costs of executing and delivering the Certificates, including but not limited to legal and financial advisory fees, printing fees, the fees of the Trustee, Policy and Reserve Policy premiums, and other miscellaneous costs of issuance.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors

which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.

General Considerations - Security for the Certificates

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments and Additional Payments from any source of legally available funds and the District has covenanted in the Lease that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

Extraordinary Prepayment from Net Proceeds

Prepayment of the Certificates from Net Proceeds could be made as provided in the Trust Agreement, and the resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such Certificates.

Constitutional and Statutory Provisions Affecting Taxes and Appropriations

Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund and the Reserve Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments and Additional Payments, as applicable.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates Outstanding.

Natural Disasters; Absence of Earthquake and Flood Insurance

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, droughts and other natural disasters. Southern California is a seismically active area, which presents a potential risk for damage to buildings, roads and property within the District, including the Property. [While the Property is not located within an Alquist Priolo Earthquake Study Zone, there are known fault splays in the communities encompassing the District.] [In addition, the Property is not located within a 100-year flood plain.]

The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake or flood insurance on the Property being leased, and does not anticipate doing so. Thus, if seismic activity, flooding or other natural disasters caused significant damage to the Property, the value of such property could be adversely affected. The District is not able to predict whether or to what extent such damage might occur.

Public school construction in the State, including the school facilities constructed on the Property, are entitled and approved through the California Division of State Architect ("DSA"), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the State building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 *et seq* of the California Education Code (the "Field Act"). The Field Act sets forth structural design standards to enable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

Other Limitations on Liability

Although the District covenants to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the

District's revenue sources are less than its total obligations in any year, the District could choose to fund other District services before paying one or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners 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.

No Acceleration Upon Default

In the event of a default by the District, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and the Trustee would in the event of default be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State.

Limited Recourse on Default

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. Portions of the Property may not be easily recoverable, because they may be affixed to property not owned by the District and, even if recovered, may be of little or no value to others. Furthermore, due to the essential nature of the Property in relation to the District, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. The Trustee is not empowered to sell the Property for the benefit of the Owners. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease. The District will be liable for Lease Payments only on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Alternatively, the Trustee may terminate the Lease with respect to the Property and proceed against the District to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Substitution of Property

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Covenants with Respect to the Property – Substitution or Release of the Property” attached hereto. The Lease requires that any property which will comprise the Property after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Property at the time of substitution. Such a replacement could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments, Additional Payments and Reserve Replenishment Rent were to occur subsequent to such substitution.

Risks Relating to Bond Insurance

In the event that the District defaults in the payment of principal or interest with respect to the Certificates when due, the Owners will have a claim under the Policy obtained in connection with the Certificates. In the event that [_____] becomes obligated to make payments with respect to the Certificates, no assurance can be given that such event will not adversely affect the market for the Certificates. In the event that [_____] is unable to make payments of principal or interest with respect to the Certificates when due under the Policy, the Certificates will be payable solely as described herein. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES” herein.

Neither the District nor the Underwriter will make an independent investigation of the claims paying ability of [_____] , and no assurance or representation regarding the financial strength or projected financial strength thereof is being made by the District or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Certificates, potential investors should carefully consider the ability of the District to pay principal and interest with respect to the Certificates, assuming that the Policy is not available, and the claims-paying ability of [_____] through final maturity of the Certificates.

Property Values

The District has estimated the value of the real property constituting the Property. (See “THE PROPERTY” herein). The estimate makes certain assumptions which could affect the estimate of property value. If any of these assumptions are proven incorrect, there could be a negative impact on value. The estimates as to values are merely the opinions of the District as of the date the Property was last insured.

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease, which is for a limited term, will be assigned to the Trustee. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease assigned to the Trustee.

THE CORPORATION

The Perris Valley Schools Capital Facilities Corporation, a nonprofit public benefit corporation, was incorporated on February 25, 1986 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was organized for the primary purpose of benefitting the District by participating with the District in projects to maintain, improve and assist the educational activities of the District by purchasing, selling, leasing or

otherwise transferring real and personal property in connection with such projects, as well as assisting the District in financing, acquiring and constructing such projects. The Corporation's principal place of business is located at 155 East Fourth Street, Perris, California 92570.

DISTRICT FINANCIAL MATTERS

The District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, including its General Fund, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. Notwithstanding the foregoing, the District expects to make Lease Payments due under the Lease from special tax revenue collected in connection with CFD No. 92-1. The information in this section is provided in order to describe generally the sources of revenue available to the District, including its General Fund and CFD No. 92-1 special tax revenue, and to describe other debt obligations of the District.

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.

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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⁾ Projected.

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 of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees, and other local sources.

Special Taxes. The District has established two Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended (the "Act"). 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. Special taxes levied within these community facilities districts are pledged to the payment of bonds (the "Special Tax Bonds") issued by the applicable community facilities district and to pay for authorized school facilities that benefit the applicable community facilities district. 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"). In the case of CFD No. 92-1, the Special Tax Bonds consist of the 2015 Special Tax Refunding Bonds of Community Facilities District No. 92-1 of the Perris Union High School District (the "CFD No. 92-1 Local Obligations"). The District has used surplus special taxes of CFD No. 92-1, consisting of CFD No. 92-1 Special Taxes collected in any year that exceed the amounts necessary to pay debt service on the CFD No. 92-1 Local Obligations and certain administrative expenses related to CFD No. 92-1 ("Surplus CFD No. 92-1 Special Taxes"), to make lease payments on the 2007 COPs and the District's Certificates of Participation (2000 School Facilities Project) which have since been prepaid with proceeds of the 2007 COPs, as the facilities financed or refinanced by proceeds of those issues benefit CFD No. 92-1. The District expects to use such Surplus CFD No. 92-1 Special Taxes as the source of revenue for making Lease Payments under the Lease. See "DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes" below.

CFD No. 92-1 Special Taxes

Although the District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor, the District expects to make Lease Payments due under the Lease from Surplus CFD No. 92-1 Special Taxes. Following is a description of CFD No. 92-1 and the Surplus CFD No. 92-1 Special Taxes.

General Description of CFD No. 92-1. CFD No. 92-1 consists of approximately 32,181 gross acres located within the boundary of the District and including a large part of the City of Menifee, portions of the cities of Murrieta and Lake Elsinore, and unincorporated areas of the County including such areas as Sun City, Quail Valley, Winchester, Romoland and Homeland. CFD No. 92-1 contains 6,412 single family units and 408 multifamily units developed prior to November 1992, as well as 14,447 single family units and 775 multifamily units developed after November 1992. The property levied within CFD No. 92-1 has a Fiscal Year 2018-19 local secured assessed value of \$6,263,195,846. Such total secured assessed value excludes the assessed value of 504 Annual Senior Citizen Exemptions in Fiscal Year 2018-19. See Table 1 herein regarding the Annual Senior Citizen Exemptions.

Summary of Community Facilities District Procedures. Pursuant to the Act, the Board of Trustees of the District adopted its Resolution No. 66:91-92, Resolution No. 67:91-92, and Resolution No. 68:91-92 (collectively, the “CFD No. 92-1 Resolution of Intention”) on May 27, 1992, stating its intent to establish CFD No. 92-1, and to authorize the levy of Special Taxes in CFD No. 92-1 to pay principal of and interest on bonded indebtedness, and to incur bonded indebtedness in CFD No. 92-1 in an aggregate principal amount not to exceed \$40,000,000.

On July 8, 1992, the Board of Trustees of the District adopted Resolution No. 1:92-93 which ordered certain changes and modifications to the CFD No. 92-1 Resolution of Intention. Subsequent to a noticed public hearing on July 8, 1992, the Board of Trustees of the District adopted Resolution No. 2:92-93 and Resolution No. 3:92-93 (collectively, the “CFD No. 92-1 Resolution of Formation”) which established CFD No. 92-1, authorized the levy of a special tax within CFD No. 92-1 subject to voter approval, determined the necessity to incur bonded indebtedness in an amount not to exceed \$40,000,000 within CFD No. 92-1, established an appropriations limit, and called an election within CFD No. 92-1 on the propositions of incurring bonded indebtedness, and levying a special tax within CFD No. 92-1.

On November 17, 1992, an election was held within CFD No. 92-1 in which the registered voters within CFD No. 92-1 approved the proposition authorizing the issuance of bonds in an amount not to exceed \$40,000,000 in CFD No. 92-1 to finance the acquisition, construction, expansion, relocation, rehabilitation, leasing or purchasing of school facilities and the required sites therefore and appurtenances thereto (collectively, the “CFD No. 92-1 Facilities”), and the levy of the special tax described in the CFD No. 92-1 Resolution of Formation.

Pursuant to a resolution adopted on March 24, 1993, the Board of Trustees of the District, acting as the Review/Appeal Board of CFD No. 92-1 and as the legislative body of CFD No. 92-1, authorized and directed the recording of a Notice of Cancellation of Special Tax Lien with respect to certain parcels (the “Senior Citizen Parcels”) subject to covenants, conditions and restrictions that limit the age of occupants to 55 years and above. See “SECURITY FOR THE BONDS – Rates and Methods of Apportionment of the Special Taxes – CFD No. 92-1 – Exemptions” above.

Pursuant to a resolution adopted on January 21, 2015, the Board of Trustees of the District, acting as the legislative body of CFD No. 92-1, authorized the issuance and delivery of the 2015 Special Tax Bonds of Community Facilities District No. 92-1 of the Perris Union High School District (the “CFD No. 92-1 Local Obligations”)

Description of the Authorized Facilities. The public facilities and fees authorized to be funded with the proceeds of the CFD No. 92-1 Local Obligations include costs of acquisition, construction, expansion, relocation, rehabilitation, leasing or purchasing of school facilities and the required sites therefor and appurtenances thereto, including, but not by way of limitation, the planning and design work related thereto, as well as property, easements and rights of way, the cost of leasing or purchasing completed facilities as further identified in the Community Facilities District Report regarding CFD

No. 92-1 filed with the Clerk of the Board of Trustees of the District, construction, expansion or rehabilitation of facilities, and the costs of financing all such facilities and fees therefore.

Rate and Method of Apportionment for CFD No. 92-1. Pursuant to the Rate and Method of Apportionment of the Special Tax of CFD No. 92-1, taxable parcels within CFD No. 92-1 are taxed at 100% of the Maximum Monthly Special Tax Rate. As of November 17, 1992, all property in CFD No. 92-1 was classified in one of two land use categories: (i) Existing Home (consisting of residential property); or (ii) Undeveloped Property (consisting of all non-residential property). Such rates for Existing Homes are not subject to escalation. The Maximum Monthly Special Tax Rates for the parcels in the Existing Home category equate to the following annual rates:

CFD No. 92-1 Existing Homes (development prior to November 1992)

<u>Special Tax Class</u>	<u>Property Classification</u>	<u>Maximum Annual Special Tax Rate</u>
A	Single Family Detached	\$24.00 per Unit
B	Single Family Attached and Mobile Home	13.00 per Unit
C	Multifamily	12.00 per Unit

There are no Special Taxes levied on undeveloped property, commercial property, senior citizen housing or property owned by the State of California, federal or local governments. A residential property is considered developed upon the issuance of a residential building permit. Parcels for which a residential building permit was or is issued after November 17, 1992 (“Developing Property”), are subject to the levy of (i) a one-time special tax based on the area and proposed usage of the parcel and (ii) a Maximum Monthly Special Tax based on the usage of the property, subject to annual increases at the rate of 2%. The fiscal year 2018-19 Maximum Monthly Special Tax Rates for Developing Property in CFD No. 92-1 equate to the following annual rates:

CFD No. 92-1 Developing Property (development after November 1992)

<u>Special Tax Class</u>	<u>Property Classification</u>	<u>Maximum Annual Special Tax Rate</u>
D	Single Family Detached	\$298.58 per Unit
E	Single Family Attached and Mobile Home	162.42 per Unit
F	Multifamily	149.30 per Unit

Such special taxes in CFD No. 92-1 are authorized to be collected for a period of 40 years for any parcel, commencing in the Fiscal Year following the issuance of a building permit for such parcel. See Table 2 below.

Exemptions from CFD No. 92-1 Special Tax. Pursuant to the Rate and Method of Apportionment of Special Tax for CFD No. 92-1, a senior citizen exemption is available, which will reduce the Annual Special Tax by 100% for a particular residential unit (the “Annual Senior Citizen Exemption”). An application for the Annual Senior Citizen Exemption must be filed by June 15 preceding the start of the fiscal year for which the Annual Senior Citizen Exemption is to be effective. The Annual Senior Citizen Exemption must be renewed on an annual basis unless the renewal requirement is waived by the Board of Trustees of the District, acting as the legislative body of CFD No. 92-1. The following table presents a five-year history of Annual Senior Citizen Exemptions within CFD No. 92-1:

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
ANNUAL SENIOR CITIZEN EXEMPTIONS
Fiscal Years 2014-15 through 2018-19

<u>Fiscal Year</u>	<u>Number of Parcels Granted Senior Citizen Exemption</u>	<u>Total Number of Parcels Levied</u>	<u>Percentage of Parcels Levied</u>	<u>Annual Special Tax Amount Exempted</u>	<u>Total Levy Amount</u>	<u>Percentage of Levy Amount</u>
2014-15	522	18,316	2.85%	\$102,084	\$3,449,852	2.96%
2015-16	530	18,853	2.81	109,866	3,654,343	3.01
2016-17	472	19,680	2.40	96,824	3,962,870	2.44
2017-18	507	20,203	2.51	110,618	4,189,762	2.64
2018-19	504	20,868	2.42	113,524	4,465,001	2.54

Source: Koppel & Gruber Public Finance.

In addition, pursuant to a resolution adopted on March 24, 1993, the Board of Trustees of the District, acting as the Review/Appeal Board of CFD No. 92-1, and as the legislative body of CFD No. 92-1, authorized and directed the recording of a Notice of Cancellation of Special Tax Lien with respect to certain parcels (the "Senior Citizen Parcels") subject to covenants, conditions and restrictions that limit the age of occupants to 55 years and above. The permanent exemption of these Senior Citizen Parcels is not reflected in the table entitled Annual Senior Citizen Exemptions above.

Current Year Levies. The following table sets forth the current year number of parcels, units and aggregate levy amount for each classification of property within CFD No. 92-1.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
FISCAL YEAR 2018-19 PARCELS, UNITS, AND AGGREGATE SPECIAL TAX LEVIES

<u>Classification⁽¹⁾</u>	<u>Total Levied Parcels⁽¹⁾</u>	<u>Total Levied Units⁽¹⁾</u>	<u>Fiscal Year 2018-19 Special Tax Rates⁽¹⁾</u>	<u>Fiscal Year 2018-19 Levy Amount⁽²⁾</u>	<u>% of Total Levy Amount</u>
Existing - Single Family Detached	5,361	5,361	\$24.00	\$128,664.00	2.88%
Existing - Single Family Attached and Mobile Home	1,051	1,051	13.00	13,663.00	0.31
Existing - Multifamily	5	408	12.00	4,896.00	0.11
Developing - Single Family Detached	13,628	13,628	298.58	4,069,048.24	91.13
Developing - Single Family Attached and Mobile Home	819	819	162.42	133,021.98	2.98
Developing - Multifamily	4	775	149.30	115,707.50	2.59
Total for CFD No. 92-1	20,868	22,042	NA	\$4,465,000.72	100.00%

⁽¹⁾ See above for descriptions of the classifications and Special Tax rates.

⁽²⁾ As of August 10, 2018 submittal.

Source: Koppel & Gruber Public Finance.

Estimated Lease Payment Coverage. Lease Payments for the Certificates are expected to be paid from excess CFD No. 92-1 Special Taxes. Table 3 below illustrates the estimated aggregate coverage for Lease Payments on the Certificates by (i) comparing the estimated aggregate maximum Special Tax generating ability in CFD No. 92-1, assuming no further development of properties in CFD No. 92-1 subsequent to the Fiscal Year 2018-19 land use status, to the annual debt service on the CFD No. 92-1 Local Obligations, to determine the estimated surplus special taxes available in each year shown and

(ii) comparing such estimated surplus special taxes to the estimated annual Lease Payments for the Certificates.

**TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
ESTIMATED COVERAGE FROM MAXIMUM SPECIAL TAXES**

<i>Year Ending Sept. 1st</i>	<i>Estimated Taxable Units⁽¹⁾</i>	<i>Estimated Net Special Tax Revenues for CFD No. 92-1⁽²⁾</i>	<i>CFD No. 92-1 Local Obligations Debt Service</i>	<i>Estimated Surplus Special Taxes</i>	<i>Aggregate Annual Lease Payments*</i>	<i>Estimated Lease Payment Coverage⁽³⁾</i>
2019	22,546	\$4,426,644	\$2,320,700	\$2,105,944	\$1,701,346	\$4,022,046
2020	23,285	4,608,554	2,365,100	2,243,454	1,824,400	4,189,500
2021	23,285	4,697,863	2,406,700	2,291,163	1,862,200	4,268,900
2022	23,285	4,788,936	2,455,500	2,333,436	1,893,400	4,348,900
2023	23,285	4,881,912	2,502,500	2,379,412	1,933,200	4,435,700
2024	23,285	4,976,651	2,550,000	2,426,651	1,971,200	4,521,200
2025	23,285	5,073,299	2,597,750	2,475,549	2,012,400	4,610,150
2026	23,285	5,171,989	2,650,500	2,521,489	2,046,600	4,697,100
2027	23,285	5,272,588	2,697,750	2,574,838	2,094,000	4,791,750
2028	23,285	5,375,243	2,754,500	2,620,743	2,129,000	4,883,500
2029	23,285	5,479,947	2,805,000	2,674,947	2,172,750	4,977,750
2030	23,285	5,586,706	2,859,250	2,727,456	2,218,250	5,077,500
2031	23,285	5,695,661	3,081,750	2,613,911	2,095,250	5,177,000
2032	23,285	5,806,678	3,153,750	2,652,928	2,122,000	5,275,750
2033	23,285	5,920,030	3,217,000	2,703,030	2,161,250	5,378,250
2034	16,140	5,827,920	3,161,500	2,666,420	2,132,250	5,293,750
2035	16,046	5,908,974	3,177,750	2,731,224	2,193,250	5,371,000
2036	15,878	5,960,449	3,212,000	2,748,449	2,204,750	5,416,750
2037	15,794	6,046,334	3,193,000	2,853,334	2,299,000	5,492,000
2038	15,674	6,118,060	3,108,000	3,010,060	2,166,750	5,274,750
2039	15,549	6,189,459	--	6,189,459	3,319,000	3,319,000
2040	15,410	6,255,986	--	6,255,986	3,316,750	3,316,750
2041	15,279	6,325,039	--	6,325,039	3,314,750	3,314,750
2042	14,958	6,319,142	--	6,319,142	3,312,750	3,312,750
2043	14,005	6,015,952	--	6,015,952	3,315,500	3,315,500
2044	12,667	5,517,248	--	5,517,248	3,292,500	3,292,500
2045	11,541	5,112,594	--	5,112,594	3,299,750	3,299,750
2046	9,027	4,134,815	--	4,134,815	3,045,500	3,045,500
2047	7,520	3,487,192	--	3,487,192	2,707,500	2,707,500
2048	6,406	3,003,591	--	3,003,591	2,640,250	2,640,250
2049	6,148	2,931,354	--	2,931,354	2,565,750	2,565,750
2050	<u>5,538</u>	<u>2,776,147</u>	<u>--</u>	<u>2,776,147</u>	<u>2,504,250</u>	<u>2,504,250</u>
Totals		\$165,692,956	\$56,270,000	\$109,422,956	\$77,867,496	\$134,137,496

⁽¹⁾ Based on property classified as Existing Homes on Developing Property for fiscal year 2018-19, plus property with building permits issued through December 31, 2018.

⁽²⁾ Maximum Special Taxes net of Administrative Expenses of \$38,356 in Fiscal Year 2018-19 increasing at 2% thereafter, and net of Annual Senior Citizen Exemptions at an assumed constant rate of 5% per annum. See Table 1 - "Annual Senior Citizen Exemptions" herein.

* Preliminary, subject to change.

⁽³⁾ Calculated by dividing the Estimated Net Special Tax Revenues for CFD No. 92-1 column by the Total Annual Debt Service column.

Source: Estimated Special Tax Revenues provided by Koppel & Gruber Public Finance.

Delinquency History. The following table presents a summary of special tax levies and delinquencies for CFD No. 92-1 over the past five years.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
SPECIAL TAX LEVIES, DELINQUENCIES, AND DELINQUENCY RATES
FISCAL YEARS 2013-14 THROUGH 2017-18**

Fiscal Year	Number of Parcels Levied	Levy Amount	Number of Parcels Delinquent	Annual Delinquencies ⁽¹⁾		Remaining Delinquent at		
				Amount Delinquent	Percentage of Levy	Number of Parcels Delinquent	Amount Delinquent	Percentage of Levy
2013-14	17,688	3,220,754	390	38,844	1.21			
2014-15								
2015-16								
2016-17								
2017-18								

⁽¹⁾ Annual delinquencies as of August 2, 2014, _____, 2015, _____, 2016, _____, 2017, and _____, 2018.

Source: Riverside County Auditor-Controller's Office.

History of Assessed Values. The following table presents a summary of the historical assessed valuation of land and improvements within CFD No. 92-1 over the past five years.

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
HISTORICAL ASSESSED VALUES
FISCAL YEARS 2014-15 THROUGH 2018-19**

Fiscal Year	Number of Taxable Parcels ⁽¹⁾	Assessed Value of Land	Assessed Value of Improvements	Assessed Value (Other)	Total	Annual Senior Citizens Exemptions	Net Assessed Value
2014-15	18,838	\$1,263,374,586	\$3,123,052,021	\$583	\$4,386,427,190	\$120,275,501	\$4,266,151,689
2015-16	19,383	1,363,139,528	3,470,298,750	583	4,833,438,861	130,638,551	4,702,800,310
2016-17	20,152	1,483,393,645	3,816,816,919	583	5,300,211,147	121,656,024	5,178,555,123
2017-18	20,710	1,612,374,785	4,228,509,744	583	5,840,885,112	138,739,252	5,702,145,860
2018-19	21,372	1,774,704,116	4,631,513,516	12,287	6,406,229,919	143,034,073	6,263,195,846

⁽¹⁾ Represents the assessed value of parcels taxed and properties receiving Senior Citizen Exemptions for the respective fiscal year. Does not include undeveloped properties.

Source: Riverside County Auditor-Controller's Office.

Top Taxpayers. The following table presents a summary of the top taxpayers in CFD No. 92-1 measured by the percentage of Fiscal Year 2018-19 Special Tax Levy.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
LARGEST TAXPAYERS
FISCAL YEAR 2018-19**

<u>Ranking</u>	<u>Property Owner⁽¹⁾</u>	<u>Number of Parcels⁽²⁾</u>	<u>Special Tax Levy⁽²⁾</u>	<u>Percent of Special Tax Levy</u>
1	CANTABRIA DEVELOPMENT	1	\$34,339	0.77%
2	MAPLETON COMMONS	1	28,815	0.65
3	ENCANTO APARTMENT HOMES	1	26,575	0.60
4	FAIRFIELD WINCHESTER 1800	1	25,978	0.58
5	WESTERN PACIFIC HOUSING INC	60	17,915	0.40
6	RICHMOND AMERICAN HOMES OF MARYLAND INC	51	15,228	0.34
7	KB HOME COASTAL INC	50	14,929	0.33
8	LENNAR HOME OF CALIF INC	50	14,929	0.33
9	MEF HOMES	48	14,332	0.32
10	RSI COMMUNITIES ALDERWOOD LLC	41	12,242	0.27
11	WOODSIDE 05S	37	11,047	0.25
12	PARDEE HOMES	35	10,450	0.23
13	BROOKFIELD JUNIPER	23	6,867	0.15
14	BEAZER HOMES HOLDING CORP	19	5,673	0.13
15	NORTH MURRIETA COMMUNITY	18	5,374	0.12
16	CAH 2015 1 BORROWER	21	4,623	0.10
17	2017 1 IH BORROWER	17	3,978	0.09
18	CAH 2014 1 BORROWER	15	2,557	0.06
19	CAH 2014 2 BORROWER	12	2,485	0.06
20	THR CALIF	10	2,437	0.05
	Sub Total	511	\$260,772	5.84%
	Other Properties	20,357	\$4,204,229	94.16%
	Grand Total	20,868	4,465,001	100.00

⁽¹⁾ Property ownership as listed on the County of Riverside secured tax roll for Fiscal Year 2018-19.

⁽²⁾ As of August 10, 2018 special tax submittal.

Source: Koppel & Gruber Public Finance.

Investment of District Funds

Most District funds are deposited with the Treasurer-Tax Collector of the County (the “Treasurer”) to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts (including District funds which will be used to make the Lease Payments), community college districts and certain special districts in the County, are required under state law to be deposited into the County treasury. In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Investment Pool”). For more information regarding the Investment Pool, see “APPENDIX G – RIVERSIDE COUNTY POOLED INVESTMENT FUND” attached hereto.

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.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements 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 2011-12 Second Interim Report and received a “qualified” certification of 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 ⁽³⁾	2018-19 Projected ⁽³⁾
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.

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 District received authorization at an election held on November 6, 2018, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$148,000,000 of general obligation bonds (the “2018 Authorization”). [On April 17, 2019, the Board of the District authorized the sale of the first series of bonds pursuant to the 2018 Authorization in an aggregate principal amount not to exceed \$148,000,000 (the “2018 Election Series A Bonds”). The 2018 Election Series A Bonds are expected to be delivered in June, 2019.*]

The table below presents the annual debt service requirements on all of the District’s outstanding general obligation bonded debt as of the date hereof.

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	Total Annual Debt Service ⁽³⁾
2019	\$910,000	\$685,000	--	\$797,400	\$1,611,669	\$2,757,200	\$2,541,100	\$9,302,369
2020	955,000	720,000	--	834,200	1,663,269	2,914,700	2,686,350	9,773,519
2021	1,005,000	750,000	--	868,400	1,717,669	3,079,950	2,841,600	10,262,619
2022	1,055,000	790,000	--	1,000,000	1,774,669	3,251,950	1,250,850	9,122,469
2023	1,105,000	830,000	--	--	1,829,069	3,440,600	1,335,850	8,540,519
2024	1,160,000	870,000	--	--	1,892,569	3,640,100	1,406,600	8,969,269
2025	1,000,000	1,130,000	--	--	1,952,069	3,852,600	1,483,600	9,418,269
2026	--	2,235,000	--	--	2,017,469	4,071,600	1,566,350	9,890,419
2027	--	2,345,000	\$4,835,000	--	2,083,750	--	1,654,350	10,918,100
2028	--	--	5,115,000	--	2,150,488	--	1,747,100	9,012,588
2029	--	--	5,410,000	--	2,217,488	--	1,844,100	9,471,588
2030	--	--	2,700,000	--	2,289,238	--	1,948,550	6,937,788
2031	--	--	--	--	2,365,238	--	2,054,250	4,419,488
2032	--	--	--	--	2,442,225	--	2,163,700	4,605,925
2033	--	--	--	--	2,522,125	--	2,283,700	4,805,825
2034	--	--	--	--	2,604,413	--	2,408,700	5,013,113
2035	--	--	--	--	2,688,563	--	2,538,700	5,227,263
2036	--	--	--	--	2,774,050	--	2,673,700	5,447,750
2037	--	--	--	--	2,865,350	--	2,818,700	5,684,050
2038	--	--	--	--	2,956,675	--	2,973,700	5,930,375
2039	--	--	--	--	3,057,500	--	3,129,063	6,186,563
2040	--	--	--	--	3,153,000	--	3,299,600	6,452,600
2041	--	--	--	--	3,257,500	--	3,475,000	6,732,500
2042	--	--	--	--	3,360,000	--	3,664,600	7,024,600
2043	--	--	--	--	--	--	5,312,400	5,312,400
2044	--	--	--	--	--	--	5,564,600	5,564,600
2045	--	--	--	--	--	--	5,829,200	5,829,200
Totals ⁽⁴⁾	\$7,190,000	\$10,355,000	\$18,060,000	\$3,500,000	\$57,246,055	\$27,008,700	\$72,496,013	\$195,855,763

(1) Final maturity is March 1, 2025.

(2) Final maturity is March 1, 2030.

(3) Does not include the 2018 Election Series A Bonds expected to be issued in June, 2019.

(4) Figures may not sum to totals 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). The 2007 COPs are expected to be prepaid in full in connection with the execution and delivery of the Certificates. See “THE PROJECT” herein.

* Preliminary, subject to change.

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:

Year Ending <u>June 30</u>	Lease <u>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>	Settlement <u>Payment</u>
2019	\$117,500
2020	117,500
2021	117,500
2022	<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”). While the Lease Payments for the use and occupancy of the Property are payable from any source of legally available funds, the District expects to use excess special taxes from CFD No. 92-1 (after payment of debt service on the applicable Special Tax Bonds) as the source of revenue for making Lease Payments under the Lease. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES” and “DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes” herein.

State Budget Measures

The following information concerning the State’s budget 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.

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.

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 taxes. Assessed valuations are the same for both District and County taxing purposes.

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

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the county treasurer-tax collector. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a \$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-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "—Secured Tax Charges 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) will be 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 TAXES 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 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.

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 TAXES 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.

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.

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

General Obligation Bond Debt Service Levy

<u>Fiscal Year</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.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of March 1, 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%

⁽¹⁾ Excludes the 2018 Election Series A Bonds.

⁽²⁾ Excludes the Certificates.

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

Source: California Municipal Statistics, Inc.

PERRIS UNION HIGH SCHOOL 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.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State’s charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District’s audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District’s audited financial statements.

There is currently one affiliated charter school operated by the District. The District can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from the charter schools and the corresponding financial impact on 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 Financial 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

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A ("Article XIII A") of the State Constitution limits the amount of *ad valorem* 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. 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 base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of

any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 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) 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.

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 California State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – 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 to mean the percentage change in the 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 average daily attendance 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 debt service, (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 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 of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California 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 California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article 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 California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitations 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 the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which 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 (the “Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “Test 2”). Under Proposition 111, schools 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 (also referred to as a “maintenance factor”) which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Jarvis v. Connell

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

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 can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the

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

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

Proposition 55

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, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased 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 revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such

local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

For the first 15 year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the 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 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 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 XIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,”

(iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

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

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

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and 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 98, 39, 22, 26, 30, 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.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates 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 Special Counsel, the portion of each Lease Payment constituting interest with respect to the Certificates is exempt from State of California personal income tax.

The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of the same series and maturity is to be sold to the public) and the stated prepayment price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate. The amount of original issue discount that accrues to the owner of the Certificate is excluded from 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.

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

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 Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar certificates).

SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES 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 CERTIFICATES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES 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 CERTIFICATES, 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 CERTIFICATES.

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

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix B.

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Certificates. The payment of fees of Special Counsel is contingent upon the closing of the Certificates transaction. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, and for the Trustee and the Corporation by their respective counsels.

ENHANCED REPORTING REQUIREMENTS

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to/ file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

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 C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

Current Undertaking. The District has covenanted for the benefit of holders and Beneficial Owners of the Certificates 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 D. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. [TO COME]

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Certificates, or in any way contesting or affecting the validity of the Certificates or any proceedings of the District taken with respect thereto. The District is not aware of any litigation, pending or threatened, questioning the political existence of the District.

RATINGS

The Certificates are expected to be assigned a rating of “___,” with a stable outlook, by S&P based upon the issuance of the Policy by [_____] on the delivery date of the Certificates. The Certificates have also been assigned an underlying rating of “___” from S&P. The ratings reflect only the views of such rating agency, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal.

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

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA notices of any rating changes on the Certificates. See “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes

on the Certificates may be publicly available from 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 on EMMA. Purchasers of the Certificates are directed to S&P, its website and official media outlets for the most current rating changes with respect to the Certificates after the initial execution and delivery 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

Purchase of Certificates. The Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated, as Underwriter. The Underwriter has agreed, pursuant to a purchase contract (the “Purchase Contract”) by and between the District and the Underwriter, to purchase the Certificates at the purchase price of \$_____ (representing the aggregate principal amount of \$_____, plus original issue premium of \$_____, less an underwriting discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Contract of Purchase.

The Underwriter may offer and sell the Certificates to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price 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.

ADDITIONAL INFORMATION

The references herein to the Lease, the Site Lease, the Trust Agreement, the Assignment Agreement and the Escrow Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Certificates will be on file at the Principal Office of the Trustee in San Francisco, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

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

The execution and delivery of this Official Statement has been duly authorized by the District.

PERRIS UNION HIGH SCHOOL DISTRICT

By: _____
Candace Reines
Deputy Superintendent, Business Services

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

[TO COME]

APPENDIX B

**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL
FOR THE CERTIFICATES**

_____, 2019

Board of Trustees
Perris Union High School District

**\$ _____
PERRIS UNION HIGH SCHOOL DISTRICT
2019 Certificates of Participation
(School Financing Project)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
PERRIS UNION HIGH SCHOOL DISTRICT**

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$_____ principal amount of Perris Union High School District 2019 Certificates of Participation (School Financing Project) and dated the Date of Delivery (the "Certificates"), evidencing the fractional interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of May 1, 2019, between the Perris Union High School District (the "District") and the Perris Valley Schools Capital Facilities Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of May 1, 2019, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

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 certify the same by independent investigation.

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are valid and binding obligations of the District, enforceable against the District in accordance with their respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the

benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation 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.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates 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.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

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

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 Trust Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special 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 Certificate 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 Certificates.

The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates 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 execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Certificates 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 Certificates or the market value of the Certificates. No

assurance can be given that subsequent to the issuance of the Certificates such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

APPENDIX C

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX D

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 execution and delivery of its \$_____ 2019 Certificates of Participation (School Financing Project) (the “Certificates”). The Certificates are being executed pursuant to a Trust Agreement, dated as of May 1, 2019, by and among the District, U.S. Bank National Association, as trustee (the “Trustee”) and the Perris Valley Schools Capital Facilities Corporation (the “Corporation”). The District covenants 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 Certificates and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, 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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Disclosure Representative” shall mean the Superintendent of the District, the Chief Business Official of the District, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by 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.

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

“Official Statement” shall mean the Official Statement relating to the Certificates, dated _____, 2019.

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

“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 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) State funding received by the District for the last completed fiscal year;
- (B) Average Daily Attendance of the District for the last completed fiscal year; and
- (C) summary financial information on revenues, expenditures and fund balances for the District's general fund for last completed fiscal year and summary financial information on any adopted budget for the current fiscal year.
- (D) Assessed Value of taxable property in CFD No. 92-1 for the current fiscal year;
- (E) Top twenty property owners in CFD No. 92-1 for the current fiscal year, as measured by special tax levy, the number of levied parcels, the amount of their respective special tax levy, and their percentage of total special tax levy; and
- (F) Special Tax Levies, Delinquencies, and Delinquency Rates for CFD No. 92-1 for the most recently completed fiscal 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 Certificates 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. defeasances.
- 4. optional, contingent or unscheduled bond calls.
- 5. rating changes.
- 6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 7. unscheduled draws on the debt service reserves reflecting financial difficulties.

8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. 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)(11), 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 Certificates, if material:

1. non-payment related defaults.
2. modifications to rights of Certificate holders.
3. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates.
4. release, substitution or sale of property securing repayment of the Certificates.
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 with respect to the Certificates or the change of name of such a Trustee.
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 Certificate holders.

(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 prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. 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(c), and (ii) the Annual Report for the year in which the change is made shall 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 Certificates 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 Trust Agreement, 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.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

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, and the District agrees, to the extent permitted by law, 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 negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

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

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

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 Certificate Issue: \$_____ Perris Union High School District
2019 Certificates of Participation (School Financing Project)
Date of Delivery: _____, 2019

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

Dated: _____

PERRIS UNION HIGH SCHOOL DISTRICT

By: [form only; no signature required] _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

General

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 the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis or that DTC, DTC Participants or DTC 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, NY, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each of maturity of the Certificates, each in the aggregate principal amount of such Certificate, 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 its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates 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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates 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 Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Certificates 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 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 Certificates 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, physical 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, 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.

APPENDIX F

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 G

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 H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY