

NEW ISSUE-FULL BOOK-ENTRY

RATING: S&P: “___”
(See “MISCELLANEOUS - Rating” herein)

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California (“Bond Counsel”), subject, however, to certain qualifications described herein, and based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds. See “TAX MATTERS - Opinion of Bond Counsel” herein.

\$25,500,000*

BANNING UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2016 Election, Series A

Dated: Date of Delivery

Due: August 1, as shown on the inside front cover pages

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned to such terms herein.

The Banning Unified School District (Riverside County, California) General Obligation Bonds, 2016 Election, Series A (the “Bonds”) were authorized at an election of the registered voters of the Banning Unified School District (the “District”) held on November 8, 2016 (the “2016 Authorization”), at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed \$25,500,000* principal amount of general obligation bonds of the District. The Bonds are being issued by the County of Riverside on behalf of the the District for the purposes of (a) raising money for acquiring and constructing the projects, facilities and equipment set forth in the 2016 Authorization, (b) funding interest on the Bonds, and (c) to pay all necessary legal, financial, printing, insurance and other contingent costs in connection with the issuance, sale and delivery of the Bonds.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds. The Bonds will be dated as of their date of initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by Zions Bank, as the paying agent, bond registrar and transfer agent for the Bonds (the “Paying Agent”), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS - Book-Entry Only System” herein.

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

The Bonds are subject to optional redemption prior to their respective maturity dates as further described herein.*

Maturity Schedule*
(see inside front cover page)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Dannis Woliver Kelley, Long Beach, California.

Dated: _____, 2017.

RBC Capital Markets LLC

* Preliminary, subject to change.

MATURITY SCHEDULE*

Base CUSIP⁽¹⁾: 066617

\$25,500,000*

BANNING UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2016 Election, Series A

\$ _____ Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
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\$ _____ - _____ % Term Bonds due August 1, 20__ - Yield _____ %; CUSIP^(†):

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), 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 the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the District, the Financial Advisor or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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 Bonds.

BANNING UNIFIED SCHOOL DISTRICT

Board of Trustees

Alfredo Andrade, *President*
Kerri Mariner, *Clerk*
Martha Bederio, *Member*
Alex Cassadas, *Member*
Jan Spann, *Member*

District Administration

Robert T. Guillen, *Superintendent*
Christina Huff, *Supervisor of Financial Services*
Catherine Bagnara, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Disclosure Counsel

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

Financial Advisor

Dale Scott & Company Inc.
San Francisco, California

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Zions Bank
Los Angeles, California

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\$25,500,000*
BANNING UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2016 Election, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover pages and appendices hereto, provides information in connection with the sale of the Banning Unified School District (Riverside County, California) General Obligation Bonds, 2016 Election, Series A (the “Bonds”).

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

General

The Banning Unified School District (the “District”) was established in 1877, and covers approximately 303 square miles in the communities of Cabazon, Whitewater, Popper Flats and the Morongo Indian Reservation as well as the City of Banning. The District is located in the western portion of Riverside County (the “County”), approximately 80 miles east of Los Angeles and 34 miles east of the City of Riverside. The District currently operates five elementary schools (transitional kindergarten through grade 5), one middle school (grades 6-8), one comprehensive high school (grades 9-12), one continuation high school, a K-12 Independent Study School, and one adult education program. For fiscal year 2016-17, the District’s average daily attendance (“ADA”) is _____ students, and taxable property within the District has a fiscal year 2016-17 assessed valuation of \$_____.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term by voters within their respective trustee area. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Robert Guillen is currently the District Superintendent.

For more information regarding the District generally, see “DISTRICT FINANCIAL INFORMATION” and “BANNING UNIFIED SCHOOL DISTRICT” herein, and for more information regarding the District’s assessed valuation, see “TAX BASE FOR REPAYMENT OF BONDS” herein.

Purposes of the Bonds

The Bonds are being issued by the District for the purposes of (a) raising money for acquiring and constructing the projects, facilities and equipment set forth in the 2016 Authorization (defined herein), (b) funding interest on the Bonds, and (c) to pay all necessary legal, financial, printing, insurance and other contingent costs in connection with the issuance, sale and delivery of the Bonds. See “THE BONDS - Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are issued by the County in the name of the District pursuant to certain provisions of the Government Code of the State of California (the “Government Code”) and pursuant to resolutions adopted by the County Board of Supervisors of Riverside County (the “County Board”) and the Board. See “THE BONDS - Authority for Issuance” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See “THE BONDS - Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Description of the Bonds

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

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

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

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

Payments. The Bonds will be dated as of the date of their initial delivery (the “Date of Delivery”). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1, commencing August 1, 2017 (each, a “Bond Payment Date”). Principal of the Bonds is payable on August 1, in the amounts and years as shown on the inside front cover pages hereof. Payments of the principal of and interest on the Bonds will be made by Zions Bank, as the paying agent, registrar and transfer agent for the Bonds (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

* Preliminary, subject to change.

Bond Insurance. The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds. See “THE BONDS – Bond Insurance” herein.

Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, and based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds. See “TAX MATTERS - Opinion of Bond Counsel” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2017.*

Bond Owner’s Risks

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

Continuing Disclosure

The District has covenanted that it will comply with and carry out the provisions of that certain Continuing Disclosure Certificate relating to the Bonds. Pursuant thereto, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS - Continuing Disclosure” herein and “APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

* Preliminary, subject to change.

Professionals Involved in the Offering

Bowie, Arneson, Wiles & Giannone, Newport Beach, California, is acting as Bond Counsel to the District with respect to the Bonds. Certain legal matters will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel. Dale Scott & Company Inc., San Francisco, California is acting as Financial Advisor to the District with respect to the Bonds. Bowie, Arneson, Wiles & Giannone, Stradling Yocca Carlson & Rauth, a Professional Corporation and Dale Scott & Company Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

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

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Banning Unified School District, 161 West Williams Street, Banning, California 92220, telephone: (951) 922-2706. The District may impose a charge for copying, mailing and handling.

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, Article XIII A of the State Constitution and pursuant to resolutions adopted by the County Board on March 7, 2017 (the "Resolution") and the Board on February 16, 2017.

The District received authorization at an election held on November 8, 2016, by the requisite 55% or more of the votes cast by eligible voters of the District to issue not to exceed \$25,500,000* aggregate principal amount of general obligation bonds (the "2016 Authorization"). The Bonds are the first series of bonds issued under the 2016 Authorization, and, following the issuance thereof, none of the 2016 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The levy may include allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future.

Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds, and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

Pursuant to Section 53515 of the Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment

* Preliminary, subject to change.

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

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

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

General Provisions

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

Interest on the Bonds accrues from the Date of Delivery and is payable semiannually on each Bond Payment Date, commencing August 1, 2017. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2018, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment. The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or

not such day is a business day, such interest to be paid by check mailed on such Bond Payment Date to such registered Owner at such registered Owner's address as it appears on such registration books or at such address as the registered Owner may have filed with the Paying Agent for that purpose on or before such Record Date. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered Owner of at least \$1,000,000 of such outstanding Bonds who shall have requested in writing such method of payment of interest on such Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Bond Insurance

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

Annual Debt Service

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

Year Ending <u>August 1</u>	Annual Principal <u>Payment</u>	Annual Interest <u>Payment</u>⁽¹⁾	Total Annual Debt <u>Service Payment</u>
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⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2017.

See “BANNING UNIFIED SCHOOL DISTRICT - District Debt Structure - General Obligation Bonds” herein for a full table of the annual debt service requirements for the District’s outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued by the District for the purposes of (a) raising money for acquiring and constructing the projects, facilities and equipment set forth in the 2016 Authorization, (b) funding interest on the Bonds, and (c) to pay all necessary legal, financial, printing, insurance and other contingent costs in connection with the issuance, sale and delivery of the Bonds.

Building Fund. The net proceeds of the sale of the Bonds will be deposited into the fund held by the County and designated as the “Banning Unified School District General Obligation Bonds, 2016 Election, Series A Building Fund” (the “Building Fund”) and will be applied only for the purposes approved by the voters of the District pursuant to the 2016 Authorization. Any interest earnings on moneys held in the Building Fund will be retained therein. The County will have no responsibility for assuring the proper use of the proceeds of the Bonds.

Debt Service Fund. Any premium or accrued interest received by the District from the sale of the Bonds will be kept separate and apart in the fund designated as the “Banning Unified School District General Obligation Bonds, 2016 Election, Series A Debt Service Fund” (the “Debt Service Fund”), which fund is held by the County for the payment of principal of and interest on the Bonds, and for no other purpose. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. Any excess proceeds of the Bonds not needed for authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds. Pursuant to the Resolution, the District has pledged monies on deposit in the Debt Service Fund to the payment of the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District.

Investment of Proceeds. Moneys in the Building Fund and the Debt Service Fund are expected to be invested through the County’s pooled investment fund. See “APPENDIX E - RIVERSIDE COUNTY TREASURY POOL” attached hereto.

Redemption

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

* Preliminary, subject to change.

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

Redemption Date (August 1)	Principal Amount to be Redeemed
---------------------------------------	--

⁽¹⁾ Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 20____ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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

Notice of Redemption. When optional redemption is authorized or required pursuant to the Resolution, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify that the Bonds or a designated portion thereof are to be redeemed; if less than all of the then outstanding Bonds are to be called for redemption, shall designate the numbers (or state that all Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP numbers, if any, of the Bonds to be redeemed; the date of notice and the date of redemption; the place or places where the redemption will be made; and descriptive information regarding the Bonds and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the Principal Amount of such Bond to be redeemed, together with interest accrued, to the date of redemption, and redemption premium(s), if any, and that from and after such date interest with respect thereto shall cease to accrue, as applicable.

The Paying Agent will take the following actions with respect to each such Redemption Notice at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to (a) the registered Owners of Bonds, to a Securities Depository, and a national Information Service by first class mail; (b) the District, the County, and the respective Owners of any registered Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the bond register.

“Informational Services” means the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (EMMA) system, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a written request of the District delivered to the Paying Agent.

“Securities Depositories” means the following: The Depository Trust Company, with Cede & Co. as its nominee, and in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a written request of the District delivered to the Paying Agent.

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

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

Additionally, the District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Neither the District nor the County will have any liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind redemption of any Bonds pursuant to the provisions of this subsection.

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

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered (the “Transfer Amount”). Such partial redemption is valid upon payment of the

amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in “- Defeasance” herein, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust, so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds to be so redeemed.

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

Book-Entry Only System

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other

securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date.

The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

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

The principal of the Bonds and any interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by either (i) check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date, or (ii) by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new bond or bonds of like series and tenor, and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

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

Defeasance

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

(a) Cash: by irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all such Bonds outstanding (including all principal thereof, interest thereon and redemption premiums, if any); or

(b) Defeasance Securities: by irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities, permitted under Section 149(d) of the Code, thereto together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue or accrete thereon and monies then on deposit in the Debt Service Fund, together with interest to accrue thereon, be fully sufficient to pay and discharge all such Bonds (including all principal thereof, interest thereon and redemption premiums, if any) at or before their maturity date.

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

“Defeasance Securities” means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Obligations; and (c) the underlying Defeasance Obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian

may be obligated; provided that such obligations are rated or assessed at the highest then-prevailing United States Treasury securities credit rating at the time of purchase.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium
Total Sources

Uses of Funds

Building Fund
Debt Service Fund
Costs of Issuance⁽¹⁾
Underwriter's Discount
Total Uses

⁽¹⁾ A portion of the proceeds of the Bonds will be used to pay costs of issuance thereof, including, but not limited to, legal fees, financial advisory fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, municipal bond insurance premium, if any, and other costs of issuance of the Bonds.

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district property taxes. Assessed valuations are the same for both 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. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment, plus any additional amount determined by the tax-collecting authority of the County. After the second installment of taxes on the secured roll is

delinquent, the tax-collecting authority of the County will collect a cost of \$10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

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

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

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

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts (as defined herein) 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

Property within the District has a total assessed valuation for fiscal year 2016-17 of \$_____. The following table shows a 10-year history of assessed valuations in the District.

ASSESSED VALUATIONS Fiscal Years 2007-08 through 2016-17 Banning Unified School District

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2007-08	\$2,433,273,123	\$240,685	\$372,915,118	\$2,806,428,926	--
2008-09	2,470,350,486	240,685	391,395,969	2,861,987,140	2.0%
2009-10	2,235,098,090	240,685	378,279,523	2,613,618,298	(8.7)
2010-11	2,040,019,667	240,685	382,977,320	2,423,237,672	(7.3)
2011-12	1,964,971,198	240,685	349,995,290	2,315,207,173	(4.5)
2012-13	2,116,317,982	113,378	294,801,724	2,411,233,084	4.1
2013-14	2,079,267,831	113,378	279,734,875	2,359,116,084	(2.2)
2014-15	2,256,169,930	113,378	276,072,015	2,532,355,323	7.5
2015-16	2,380,179,719	113,378	259,101,472	2,639,394,569	4.2
2016-17					

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, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS - Security and Sources of Payment" herein.

Drought. On January 17, 2014, the State Governor (the "Governor") declared a state-wide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history; the State's rivers and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. As part of his State of Emergency declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain temporary conservation measures, which were implemented by means of an emergency regulation adopted by the Water Board on May 5, 2015. The temporary conservation measures have been extended and amended by subsequent executive orders of the Governor and Water Board regulations. Most recently, on May 9, 2016, the Governor issued an executive order ordering the Department of Water Resources, the Water Board and the California Public Utilities Commission to update and extend temporary water restrictions through the end of January 2017, and to take actions to transition to permanent, long-term improvements in water use. Following the Governor's executive order, on May 18, 2016, the Water Board adopted a localized "stress test" approach of water conservation, under which local urban water agencies are required to ensure a three-year supply of water assuming three years of drought conditions. Agencies that project a water shortage at the end of

the three-year period under the stress test are required to implement conservation measures through January 2017 equal to the percentage of water shortage projected.

The District cannot make any representation regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of 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, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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

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

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

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

Assessed Valuation of Single Family Homes

The following table shows a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2016-17 assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2016-17
Banning Unified School District

[TO COME]

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

Assessed Valuation and Parcels by Land Use

The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2016-17 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2016-17
Banning Unified School District

[TO COME]

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

Assessed Valuation by Jurisdiction

The following table shows the fiscal year 2016-17 assessed valuation of the District by jurisdiction.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2016-17
Banning Unified School District

[TO COME]

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The following table shows secured tax levies and delinquencies within the District, and amounts delinquent as of June 30, for fiscal years 2006-07 through 2015-16.

SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2006-07 through 2015-16 Banning Unified School District

<u>Fiscal Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2006-07	\$384,519.75	\$33,193.52	8.63%
2007-08	1,842,699.77	176,839.15	9.60
2008-09	1,888,812.39	162,833.88	8.62
2009-10	2,181,294.84	138,974.02	6.37
2010-11	1,729,335.12	88,846.69	5.14
2011-12	1,961,088.85	95,074.19	4.85
2012-13	2,841,811.48	76,562.20	2.69
2013-14	2,283,290.83	66,640.51	2.92
2014-15	2,422,916.52	65,382.78	2.70
2015-16			

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

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of the County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the *ad valorem* property tax levied to pay the principal of and interest on the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Tax Rates

A representative tax rate area (a “TRA”) located within the District is TRA 74-002. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA during the five-year period from fiscal years 2012-13 through 2016-17.

SUMMARY OF *AD VALOREM* TAX RATES (TRA 1-000)⁽¹⁾

Fiscal Years 2012-13 through 2016-17

Banning Unified School District

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	
Banning Unified School District	.10207	.11284	.10956	.10826	
Mount Sac Jacinto Community College District	--	--	--	.01394	
San Gorgonio Pass Memorial Healthcare District	.11572	.11896	.11296	.08143	
San Gorgonio Pass Water Agency State Water Project	.18500	.18500	.18500	.18500	
Total	1.40279%	1.41680%	1.40752%	1.38863%	

⁽¹⁾ The fiscal year 2016-17 assessed valuation of TRA 1-000 is \$_____, which is _____% of the District’s total fiscal year 2016-17 assessed valuation.

Source: *California Municipal Statistics, Inc.*

Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2016-17 secured assessed valuations.

20 LARGEST LOCAL SECURED TAXPAYERS

Fiscal Year 2016-17

Banning Unified School District

[TO COME]

⁽¹⁾ The District has a fiscal year 2016-17 local secured assessed valuation of \$_____.

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 _____, 2017 for debt issued as of _____, 2017. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

**STATEMENT OF DIRECT AND OVERLAPPING DEBT
Banning Unified School District**

[TO COME]

(1) Excludes the Bonds.

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

Source: *California Municipal Statistics, Inc.*

**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT
REVENUES AND APPROPRIATIONS**

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

Article XIII A of the California Constitution

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

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

“THE BONDS - Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds 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. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the legislature of the State (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

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

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

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

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. Under the State Constitution, such property is assessed by the State Board of Equalization as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The State electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on

its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. 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 State per capita income from the preceding year, and
- (b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

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

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

Propositions 98 and 111

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

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax

revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school 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 State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, 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 the State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as Proposition 39) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District,

community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

be an increase in the State's general fund costs by approximately \$1 billion annually for several decades. See also "DISTRICT FINANCIAL INFORMATION - State Dissolution of Redevelopment Agencies" herein.

Jarvis vs. Connell

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

Propositions 30 and 55

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

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

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing

unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is

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

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as “Proposition 51”) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

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

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the 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 table below shows the expected use of bond funds under Proposition 51:

**PROPOSITION 51
Use of Bond Funds
(In Millions)**

K-12 Public School Facilities	
New construction	\$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	<u>500</u>
Subtotal	\$7,000
Community College Facilities	<u>\$2,000</u>
Total	<u><u>\$9,000</u></u>

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

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

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.

The following table reflects the District's historical ADA and the revenue limit rates per unit of ADA for fiscal years 2007-08 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT

Fiscal Years 2007-08 through 2012-13

Banning Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Annual Change in ADA</u>	<u>Base Revenue Limit Per ADA</u>	<u>Funded Revenue Limit Per ADA⁽²⁾</u>
2007-08	4,692	1.3%	\$5,812	N/A
2008-09	4,603	(1.9)	6,141	\$5,439
2009-10	4,461	3.2	6,403	5,228
2010-11	4,510	1.1	6,386	5,239
2011-12	4,240	(6.4)	6,529	5,184
2012-13	4,270	0.7	6,733	5,234

Note: All numbers are rounded to the nearest whole.

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends 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.

(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

Source: *Banning Unified School District*.

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 a new 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 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 is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$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 are to be 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 "- State Budget Measures" herein for information on the adjusted Base Grants provided by current State budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. 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 who 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, and are therefore not discussed separately herein). 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 district’s 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.

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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 2015-16 and a projected amount for fiscal year 2016-17.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2016-17
Banning Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment⁽²⁾	% of EL/LI Enrollment⁽²⁾
2012-13	1,412	928	615	1,161	4,116	4,524	N/A
2013-14	1,478	933	624	1,167	4,202	4,480	18.24%
2014-15	1,530	973	606	1,213	4,322	4,599	20.77
2015-16	1,494	986	580	1,214	4,274	4,460	19.66
2016-17 ⁽³⁾							

(1) Reflects P-2 ADA, which ends 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.

(2) For fiscal year 2012-13, reflects certified enrollment as of the October report submitted to the California Basic Educational Data System ("CBEDS"). 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. Adjustments may be made to the certified EL/LI counts by the State 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 is 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 is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the current fiscal year and the two immediately preceding fiscal years.

(3) Projected.

Source: Banning Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. 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 adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes 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 applicable 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 programs under the Education Consolidation and Improvement Act. In addition, school districts may receive additional local revenues beyond local property tax collections, including, but not limited to interest income, lease and rentals, foundations, donations and sales of property. With respect to the District, see also “- Developer Fees” below.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABX1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABX1 27, a companion bill to ABX1 26, violated the State Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Proposition 1A and Proposition 22” herein. ABX1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the State Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

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

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

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

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of \$3.36

per square foot and commercial development is assessed a fee of \$0.54 per square foot. The following table summarizes the revenues received by the District from developer fees since 2008-09, and projected for fiscal year 2016-17.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2008-09 through 2016-17
Banning Unified School District

<u>Fiscal Year</u>	<u>Total Collections</u>
2008-09	\$23,207
2009-10	33,633
2010-11	42,821
2011-12	11,938
2012-13	119,651
2013-14	23,776
2014-15	27,328
2015-16	
2016-17 ⁽¹⁾	

⁽¹⁾ Projected.

Source: Banning Unified School District.

Budget Process

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a 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 September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final 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 the 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 Reporting. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the 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.

Because of decreased revenues and increased costs, certain of the District's budgets and interim reports in recent years received negative treatment from the County. Specifically, the District's fiscal year 2011-12 adopted budget was disapproved by the County Superintendent of Schools. Additionally, the District's first interim report for fiscal year 2010-11 received a negative certification, and its second interim report for fiscal year 2010-11, first and second interim reports for fiscal years 2011-12 and 2012-13, and first interim report for fiscal year 2014-15 all received qualified certifications. The District's first and second interim reports for fiscal year 2013-14, as well as its most recent first interim report for fiscal year 2015-16, received positive certifications.

Budgeting Trends. The table on the following page summarizes the District's general fund adopted budgets for fiscal years 2013-14 through 2016-17, audited ending results for fiscal years 2013-14 through 2015-16, and projected totals for fiscal year 2016-17.

GENERAL FUND BUDGETING
Fiscal Years 2013-14 through 2016-17
Banning Unified School District

	Fiscal Year 2013-14⁽¹⁾		Fiscal Year 2014-15⁽¹⁾		Fiscal Year 2015-16⁽²⁾		Fiscal Year 2016-17⁽³⁾	
	Adopted Budget	Audited	Adopted Budget	Audited	Adopted Budget	Audited	Adopted Budget	Projected
REVENUES								
Revenue Limit /LCFF Sources ⁽⁴⁾	\$23,312,310	\$29,200,517	\$33,654,846	\$34,384,190	\$40,390,495	\$40,572,817	\$43,085,548	\$43,379,609
Federal Sources	3,456,070	3,466,828	3,589,818	3,543,605	3,027,489	3,572,136	3,530,356	5,020,819
Other State Sources	5,911,703	4,427,477	2,381,546	3,781,158	4,286,438	5,487,172	3,372,144	3,931,900
Other Local Sources	<u>1,505,677</u>	<u>2,379,837</u>	<u>1,464,533</u>	<u>3,409,291</u>	<u>2,505,132</u>	<u>3,597,758</u>	<u>2,566,122</u>	<u>2,550,926</u>
TOTAL REVENUES⁽⁵⁾	34,185,760	39,474,659	41,090,743	45,118,244	50,209,554	53,229,883	52,554,170	54,883,254
EXPENDITURES								
Certificated Salaries	16,128,966	16,336,634	18,393,584	18,487,213	20,929,663	20,000,217	22,771,955	22,278,256
Classified Salaries	4,992,244	5,203,489	5,860,807	6,298,970	7,023,069	7,034,604	7,713,438	8,025,761
Employee Benefits	6,658,899	7,668,727	7,977,713	7,251,650	9,857,994	9,877,044	10,866,502	10,781,816
Books & Supplies	1,987,199	2,809,494	1,924,122	2,749,457	2,735,055	4,372,680	2,747,557	5,083,280
Services & Other Operating Expenses	5,009,067	6,192,063	5,705,877	6,641,263	6,217,991	7,364,003	7,947,402	9,177,263
Capital Outlay	100,000	305,568	535,000	472,938	680,000	1,392,534	888,004	2,525,328
Other Outgo	(108,704)	273,055	226,480	788,617	(8,125)	87,443	99,000	64,000
Transfers of Direct Support/Indirect Costs							(80,510)	(80,510)
Program/Fund Support								
Debt Service - Principal	--	15,436	15,437	15,436	--	40,053	46,984	45,833
Debt Service - Interest	--	<u>76,725</u>	--	<u>59,788</u>	<u>31,547</u>	<u>6,930</u>	--	<u>1,151</u>
TOTAL EXPENDITURES⁽⁵⁾	34,767,671	38,881,191	40,639,020	42,765,332	47,467,194	50,175,508	53,000,332	57,902,177
OTHER FINANCING SOURCES/USES								
Other Sources – Proceeds from Capital Leases	--	--	--	--	--	<u>143,284</u>	--	--
TOTAL OTHER FINANCING SOURCES/USES	--	--	--	--	--	143,284	--	--
NET INCREASE (DECREASE) IN FUND BALANCE	(581,911)	593,468	451,723	2,352,912	2,742,360	3,197,659	(446,162)	(3,018,923)
Fund Balance, July 1	<u>3,286,442</u>	<u>3,286,442</u>	<u>3,879,910</u>	<u>3,879,910</u>	<u>4,286,731</u>	<u>6,232,822</u>	<u>7,216,342</u>	<u>8,313,487</u>
Fund Balance, June 30	<u>\$2,704,531</u>	<u>\$3,879,910</u>	<u>\$4,331,633</u>	<u>\$6,232,822</u>	<u>\$7,029,091</u>	<u>\$9,430,481</u>	<u>6,770,180</u>	<u>5,294,563</u>

⁽¹⁾ From the District's audited financial statements in each fiscal year. Beginning and ending fund balances include the District's Fund 17 (Special Reserve for Other than Capital Outlay), pursuant to GASB (defined herein) Statement No. 54.

⁽²⁾ From the District's audited financial statement in fiscal year 2015-16. On behalf payments of \$1,130,516 are included in the Audited revenues and expenditures, but are not included in the budgeted amounts for such years. In addition, two funds currently defined as special revenue funds in the California State Accounting Manual do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

⁽³⁾ From the District's first interim financial report for fiscal year 2016-17, dated December 8, 2016.

⁽⁴⁾ Prior to the Fiscal Year 2013-14 First Interim Financial Report, this category was coded as "Revenue Limit." From the Fiscal Year 2013-14 First Interim Financial Report through the Fiscal Year 2013-14 Second Interim Financial Report and the Fiscal Year 2015-16 Adopted Budget, this category was coded as "LCFF/Revenue Limit Sources." In the Fiscal Year 2014-15 Adopted Budget, this category was coded as "LCFF." In the Fiscal Year 2016-17 First Interim Financial Report, this category is coded as "LCCF/Sources."

⁽⁵⁾ On behalf payments of \$943,994 and \$824,875 are included in the Audited revenues and expenditures for fiscal years 2013-14 and 2014-15, respectively, but are not included in the budgeted amounts for such years. For fiscal years 2013-14 and 2014-15, due to the consolidation of the Adult Education Fund and the Deferred Maintenance Fund into the General Fund for reporting purposes, additional revenues and expenditures pertaining to these other funds are included in the Audited revenues and expenditures, but are not included in the budgeted amounts.

Source: Banning Unified School District.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all State school districts.

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

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

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2016 and prior fiscal years are on file with the District and available for public inspection at the Office of the Director of Fiscal Services, 161 West Williams Street, Banning, California 92220, telephone: (951) 922-2706. The audited financial statements for the year ended June 30, 2016 are attached hereto as APPENDIX B.

For fiscal years ended June 30, 2003, and later, the District implemented Governmental Accounting Standards Board ("GASB") Statements Nos. 34 and 35. Among the changes implemented under these revised accounting rules is a change in the financial reporting format. While historical total revenue and expenditures figures are comparably consistent to prior years, the breakdown of revenues and expenditures follows functional categories rather than object-oriented categories. The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2011-12 through fiscal year 2015-16.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE⁽¹⁾
Fiscal Years 2011-12 through 2015-16
Banning Unified School District

	Fiscal Year 2011-12⁽¹⁾	Fiscal Year 2012-13⁽¹⁾	Fiscal Year 2013-14⁽¹⁾	Fiscal Year 2014-15	Fiscal Year 2015-16
REVENUES					
Revenue Limit/LCFF Sources ⁽²⁾	\$22,237,867	\$22,234,793	\$29,200,517	\$34,384,190	\$40,572,817
Federal Revenues	4,174,556	3,122,644	3,466,828	3,543,605	3,572,136
Other State Revenues	9,269,435	8,157,023	4,427,477	3,781,158	5,487,172
Other Local Revenues	<u>1,635,895</u>	<u>1,830,756</u>	<u>2,379,837</u>	<u>3,409,291</u>	<u>3,597,758</u>
Total Revenues	37,317,753	35,345,216	39,474,659	45,118,244	53,229,883
EXPENDITURES					
Current					
Instruction	23,037,595	20,643,001	23,856,954	25,974,826	29,860,258
Instruction-related activities					
Supervision of instruction	1,085,615	511,980	562,897	768,034	635,686
Instructional library, media and technology	346,596	258,635	300,185	324,602	390,608
School site supervision	2,353,064	2,333,665	2,183,572	2,277,245	2,571,557
Pupil services:					
Home-to-school transportation	948,724	971,840	1,055,512	1,099,323	1,707,572
Food services	--	--	--	7,324	--
All other pupil services	1,875,790	2,157,222	2,394,054	2,915,500	3,216,498
Administration					
Data processing	529,090	556,635	483,610	601,298	726,746
All other administration	2,463,561	2,134,993	1,883,406	2,580,289	3,320,299
Plant services	4,232,657	4,483,487	4,745,612	4,866,015	5,785,652
Facility acquisition and construction	285,377	39,687	283,543	491,079	1,127,622
Ancillary services	181,255	215,221	126,996	144,454	189,905
Community services	564,542	584,200	518,764	509,466	523,253
Other outgo	--	--	393,925	130,653	72,869
Debt Service					
Principal	46,905	24,014	2,128	15,436	40,053
Interest and Other	42,290	63,563	90,033	59,788	6,930
Total Expenditures	37,993,061	34,978,143	38,881,191	42,765,332	50,175,508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(675,308)	367,073	593,468	2,352,912	3,054,375
OTHER FINANCING SOURCES/(USES)					
Other Sources – proceeds from capital leases	--	--	--	--	143,284
Total Other Financing Sources (Uses)	--	--	--	--	143,284
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Uses	(675,308)	367,073	593,468	2,352,912	3,197,659
Fund Balance, July 1	<u>3,594,677</u>	<u>2,919,369</u>	<u>3,286,442</u>	<u>3,879,910</u>	<u>6,232,822</u>
Fund Balance, June 30	<u>\$2,919,369</u>	<u>\$3,286,442</u>	<u>\$3,879,910</u>	<u>\$6,232,822</u>	<u>\$9,430,481</u>

⁽¹⁾ For audited results for fiscal years 2013-14 through 2015-16 in object-oriented format, please see “DISTRICT FINANCIAL INFORMATION - Budget Process - Budgeting Trends” herein.

⁽²⁾ Prior to the Fiscal Year 2013-14 First Interim Financial Report, this category was coded as “Revenue Limit.” From the Fiscal Year 2013-14 First Interim Financial Report through the Fiscal Year 2013-14 Second Interim Financial Report and the Fiscal Year 2015-16 Adopted Budget, this category was coded as “LCFF/Revenue Limit Sources.” In the Fiscal Year 2014-15 Adopted Budget, this category was coded as “LCFF.” In the Fiscal Year 2016-17 First Interim Financial Report, this category is coded as “LCFF/Sources.”

Source: Banning Unified School District.

State Budget Measures

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

2016-17 Budget. On June 27, 2016, the Governor signed into the law the State budget for fiscal year 2016-17 (the "2016-17 Budget"). The following information is drawn from the Department of Finance's summary of the 2016-17 Budget and the LAO's preliminary review of the 2016-17 Budget.

The 2016-17 Budget projects, for fiscal year 2015-16, total general fund revenues and transfers of \$117 billion and total expenditures of \$115.6 billion. The State is projected to end the 2015-16 fiscal year with total available reserves of \$7.3 billion, including \$3.9 billion in the traditional general fund reserve and \$3.4 billion in the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). For fiscal year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of \$120.3 billion and authorizes expenditures of \$122.5 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$8.5 billion, including \$1.8 billion in the traditional general fund reserve and \$6.7 billion in the BSA.

As a result of higher general fund revenue estimates for fiscal years 2015-16 and 2016-17, and after accounting for expenditures controlled by constitutional funding requirements such as Proposition 2 and Proposition 98, the 2016-17 Budget allocates over \$6 billion in discretionary funding for various purposes. These include (i) additional deposits of \$2 billion to the BSA (reflected in the discussion above) and \$600 million to the State's discretionary budget reserve fund, (ii) approximately \$2.9 billion in one-time funding for various purposes including infrastructure, affordable housing and public safety programs, and (iii) \$700 million in on-going funding commitments for higher education (California State University and the University of California systems), corrections and rehabilitation and State courts.

As required by Proposition 2, the 2016-17 Budget applies \$1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year.

With respect to education funding, the 2016-17 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2014-15 and 2015-16, as a result of increased revenue estimates. The 2016-17 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.9 billion, an increase of \$2.8 billion over the revised level from the prior fiscal year. With respect to K-12 education, the share of the minimum funding guarantee is \$62.5 billion, including \$44.5 billion from the State general fund and \$18.1 billion from local property tax collections. Significant features with respect to K-12 education funding include the following:

- **Local Control Funding Formula** - \$2.9 billion of Proposition 98 funding to continue the implementation of the LCFF. This reflects a 5.7% increase from the prior year, and is estimated to close the remaining funding implementation gap between the prior year and the LCFF target levels by approximately 54%. As a result, the 2016-17 Budget projects total LCFF implementation to be at 96% during fiscal year 2016-17.

- *Discretionary Funding* - \$1.3 billion in additional one-time funding that local educational agencies may use for any purpose. Funding will be distributed based on ADA. While funding is intended to reduce the backlog of unpaid reimbursement claims for State-mandated activities, the 2016-17 Budget estimates that most local educational agencies do not have such unpaid claims, and that only \$617 million of the total funding will be used for this purpose.
- *Maintenance Factor* - The 2016-17 Budget assumes the creation of a new maintenance factor of \$746 million in fiscal year 2016-17, created by the difference in growth in per capita State general fund revenues and growth in State per capita personal income.
- *College Readiness* - \$200 million in one-time Proposition 98 funding to fund a block grant for school districts and charter schools serving high school students. Funds are intended to provide additional services that support access and successful transition to higher education. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income or foster youth, with no district or charter school receiving less than \$75,000. The 2016-17 Budget also provides \$15 million in one-time Proposition 98 grant funding to support coordinated student outreach by local educational agencies and community college districts aimed at increasing college preparation, access, and success.
- *Career Technical Education (CTE)* - The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs, and provided \$400 million in fiscal year 2015-16 to fund the program. The 2016-17 Budget provides \$300 million in second-year funding for this program.
- *Charter Schools* - An increase of \$20 million in one-time Proposition 98 funding to support startup costs for new charter schools in 2016 and 2017. The funds are intended to offset the loss of previously available federal funding.
- *Support Systems* - \$20 million in one-time Proposition 98 funding to assist local educational agencies provide academic, behavioral, social and emotional student support services.
- *Truancy and Dropout Prevention* - Proposition 47, approved by voters in November 2014, reduces penalties for certain non-serious and non-violent property and drug offenses, and requires that a portion of State expenditure savings resulting from these reduced penalties by invested into K-12 truancy and dropout prevention. The 2016-17 Budget estimates approximately \$9.9 million in state savings that will be available for this program. The 2016-17 Budget also includes an additional \$18 million in one-time funding for the program, resulting in total funding of \$27.9 million.
- *Teacher Workforce Initiatives* - The 2016-17 Budget funds several initiatives designed to increase the supply of K-12 teachers, including (i) \$20 million to encourage classified employees to complete their education and pursue teaching credentials, (ii) \$10 million in non-Proposition 98 funding to expand the number of integrated programs that allow a participant to concurrently earn a bachelor's degree and a teaching credential, and (iii) \$5 million to fund teacher recruitment activities.
- *Drinking Water* - \$9.5 million in one-time Proposition 98 funding to assist school districts that serve isolated or economically disadvantaged areas improve access to safe drinking water.

For additional information regarding the 2016-17 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2017-18 Budget. On January 10, 2017, the Governor released his proposed State budget for fiscal year 2017-18 (the "Proposed Budget"). The following information is drawn from the Department of Finance's summary of the Proposed Budget and the LAO's overview of the Proposed Budget.

Following several years of increases, the Governor reports that the three main sources of State revenues-income, sales and corporation taxes-are showing weakness. Consequently, the Proposed Budget includes a revised revenue forecast for fiscal years 2015-16 and 2016-17 that is \$3.2 billion lower than was included in the current State budget. The Governor attributes the change in expectations to a pattern of shortfalls in monthly revenue collections and a growth in lower-income workers, which results in decreased revenues due to the State's progressive tax structure. The Governor also identifies some increases in State general fund spending relative to the 2016-17 Budget, most significant among those being an increase in Medi-Cal costs of approximately \$1.8 billion. As a result, absent corrective action, the Governor projects that the State would face a general fund deficit of approximately \$1.6 billion in fiscal year 2017-18, as well as comparable deficits in future years.

To close the projected deficit, the Proposed Budget includes \$3.2 billion in remedial budgetary measures designed to reduce State general fund spending in a variety of areas. Significantly, the Proposed Budget would lower, by \$1.7 billion, the existing Proposition 98 funding appropriations for fiscal years 2015-16 and 2016-17, which, as a result of the drop in State revenues, are projected to over-appropriate the minimum funding guarantee. As a result, the Proposed Budget also shifts, on a one-time basis (i) \$310 million of previously appropriated discretionary K-12 funding from the 2015-16 fiscal year to the 2016-17 fiscal year, and (ii) \$859.1 million in LCFF payments from June 2017 to July 2017. These shifts would bring Proposition 98 spending in-line with the revised funding guarantees described below. Other significant remedial measures include eliminating a \$400 million set aside for affordable housing and \$300 million in previously approved funding for the replacement and renovation of State office buildings.

Assuming the implementation of these measures, the Proposed Budget projects, for fiscal year 2016-17, total general fund revenues and transfers of \$118.8 billion and total expenditures of \$122.8 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.7 billion, including \$980 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the Proposed Budget projects total general fund revenues of \$124 billion and authorizes expenditures of \$122.5 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$8.8 billion, including \$980 million in the traditional general fund reserve and \$7.9 billion in the BSA.

As a result of the revised State revenue estimates discussed above, the Proposed Budget adjusts the minimum funding guarantee for fiscal year 2015-16 to \$68.7 billion, a decrease of \$379 million from the level set by the 2016-17 Budget. Similarly, for fiscal year 2016-17, the minimum funding guarantee is revised at \$71.4 billion, reflecting a decrease of \$506 million from the level set by the 2016-17 Budget. For fiscal year 2017-18, the Proposed Budget sets the minimum funding guarantee at \$73.5 billion, including \$51.4 billion from the State general fund, reflecting a year-to-year increase of \$2.1 billion (or 3%). Fiscal year 2017-18 is projected to be "Test 3" year, with the increase in the minimum guarantee driven primarily by an increase in per-capita State general fund revenues. Significant proposals with respect to K-12 education funding include the following:

- *Local Control Funding Formula* - \$744 million in Proposition 98 funding to continue the implementation of the LCFF. This level of funding would support a 1.48% COLA for adjusted Base Grants in fiscal year 2017-18. The Proposed Budget projects to maintain total LCFF implementation at 96%. The Proposed Budget would also provide \$2.4 million in Proposition 98 funding to support a COLA for LCFF funding levels for county offices of education.
- *Maintenance Factor* - As a result of the adjustments to the Proposition 98 minimum funding guarantee for fiscal years 2015-16 and 2016-17, as described above, the State is no longer required to make a \$379 million maintenance factor payment for fiscal year 2015-16 that was approved by the 2016-17 Budget, and the maintenance factor created for fiscal year 2016-17 grows from \$746 million to \$838 million. In addition, the funding levels set by the Proposed Budget would create a new maintenance factor in fiscal year 2017-18 equal to \$219 million, bringing the total outstanding State obligation to \$1.6 billion.
- *Discretionary Funding* - An increase of \$287 million in one-time funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.
- *Settle Up Payment* - \$601 million in one-time funding to support a “settle up” payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee.
- *Career Technical Education (CTE)* - The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The Proposed Budget would provide \$200 million as the final installment of funding for this program.
- *ADA Adjustments* - The Proposed Budget’s funding levels reflect the following adjustments (i) an increase of \$93 million in Proposition 98 funding to support a projected growth in charter school ADA, (ii) a decrease of \$4.9 million in Proposition 98 funding as a result of a projected decrease in special education ADA, and (iii) a total decrease of \$232 million for fiscal years 2016-17 and 2017-18 as a result of continuing projected declines in ADA for school districts.
- *Local Property Tax Adjustments* - A decrease of \$149.2 million in Proposition 98 funding in fiscal year 2016-17 for school districts and county office of education as a result of higher offsetting property tax revenues. The Proposed Budget would make a similar decrease of \$922.7 million in fiscal year 2017-18.
- *Categorical Programs* - An increase of \$58.1 million in Proposition 98 funding to support a 1.48% COLA for categorical programs that remain outside of the LCFF.
- *Proposition 39* - Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The Proposed Budget allocates \$422.9 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.
- *Proposition 56* - Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by \$2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine

products. The Proposed Budget would allocate \$29.9 million of Proposition 56 revenues to support these programs.

For additional information regarding the 2016-17 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 State Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund school districts. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

BANNING UNIFIED SCHOOL DISTRICT

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

Introduction

The Banning Unified School District was established in 1877, and covers approximately 303 square miles in the communities of Cabazon, Whitewater, Popper Flats and the Morongo Indian Reservation as well as the City of Banning. The District is located in the western portion of the County, approximately 80 miles east of Los Angeles and 34 miles east of the City of Riverside. The District currently operates five elementary schools (transitional kindergarten through grade 5), one middle school (grades 6-8), one comprehensive high school (grades 9-12), one continuation high school, a K-12 Independent Study School, and one adult education program. For fiscal year 2016-17, the District's ADA is _____ students, and taxable property within the District has a fiscal year 2016-17 assessed valuation of \$_____.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Banning Unified School District, Attention: Director of Fiscal Services, 161 West Williams Street, Banning, California 92220.

Administration

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term by voters within their respective trustee area. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their current terms expire, are listed below:

BOARD OF TRUSTEES
Banning Unified School District

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Alfredo Andrade	President	December 2019
Kerri Mariner	Clerk	December 2019
Martha Bederio	Member	December 2017
Alex Cassadas	Member	December 2019
Jan Spann	Member	December 2017

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Robert Guillen is the District's Superintendent. Brief biographies of certain key administrators follow:

Robert Guillen, Superintendent. Mr. Guillen began serving as the District Superintendent in June, 2013. He has spent over 40 years in education, serving in a variety of capacities, including principal, director of business, assistant superintendent of business, deputy superintendent and chief operations officer. Mr. Guillen earned his undergraduate degree from the California State University, San Bernardino, and his M.A. from the University of California, Riverside.

Catherine Bagnara, Director of Fiscal Services. Ms. Bagnara began serving as the District's Supervisor of Fiscal Services in May, 2002, and was promoted to Director of Fiscal Services in January, 2015. Having worked at the District for over 22 years, Ms. Bagnara has held many positions in the District's Fiscal Services department and previously served as the District's Supervisor of Centralized Registration.

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Enrollment and ADA

The following table reflects the ADA and enrollment for the District for the last eight years, and projected figures for fiscal years 2016-17 and 2017-18.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT Fiscal Years 2008-09 through 2017-18 Banning Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Enrollment⁽²⁾</u>
2008-09	4,449	4,832
2009-10	4,292	4,710
2010-11	4,146	4,595
2011-12	4,193	4,503
2012-13	4,140	4,524
2013-14	4,199	4,480
2014-15	4,290	4,599
2015-16	4,274	4,460
2016-17		
2017-18 ⁽³⁾		

(1) Reflects P-2 ADA.

(2) Enrollment for years prior to fiscal 2013-14 is as of October CBEDS report. Fiscal years 2013-14 through 2015-16 certified enrollment is as of the fall census day (the first Wednesday in October) reported to CALPADS. See also "DISTRICT FINANCIAL MATTERS - State Funding of Education - Local Control Funding Formula" herein.

(3) Projected.

Source: Banning Unified School District.

Labor Relations

The District currently employs _____ full-time certified employees and _____ full-time classified employees. In addition, the District employs _____ full-time equivalent part-time faculty and staff. District employees, except management, confidential and some part-time employees, are represented by two bargaining units as noted on the following page:

LABOR RELATIONS Banning Unified School District

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Banning Teachers' Association	—	—
California School Employees Association	—	—

Source: Banning Unified School District.

District 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 or the Underwriter.

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

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

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

MEMBER CONTRIBUTION RATES STRS Defined Benefit Program

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

Source: AB 1469.

Pursuant to 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 \$1,378,705 in fiscal year 2011-12, \$1,198,349 in fiscal year 2012-13, \$1,305,458 in fiscal year 2013-14, \$1,598,598 in fiscal year 2014-15, and \$2,095,088 in fiscal year 2015-16. The District has projected a contribution of \$_____ to STRS in fiscal year 2016-17.

The State also contributes to STRS, currently in an amount equal to 6.328% of teacher payroll for fiscal year 2016-17. 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 COLA's, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16 and 13.888% in fiscal year 2016-17. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal years 2015-16 and 2016-17. See "- California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$568,967 in fiscal year 2011-12, \$576,733 in fiscal year 2012-13, \$600,439 in fiscal year 2013-14, \$825,074 in fiscal year 2014-15, and \$891,066 in fiscal year 2015-16. The District has projected a contribution of \$_____ to PERS in fiscal year 2016-17.

For further information about the District's contributions to STRS and PERS, see "APPENDIX B - 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 14" attached hereto.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2014-15

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾⁽³⁾</u>	<u>Value of Trust Assets (AVA)⁽⁴⁾</u>	<u>Unfunded Liability (AVA)⁽⁴⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽⁴⁾</u>	<u>Unfunded Liability (AVA)⁽⁴⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁵⁾	-- ⁽⁵⁾
2014-15	73,325	56,814	16,511	-- ⁽⁵⁾	-- ⁽⁵⁾

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets.

(3) Excludes assets allocated to the SBPA reserve.

(4) Reflects actuarial value of assets.

(5) 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. The following are certain of the actuarial assumptions adopted by the STRS Board with respect to the STRS Defined Benefit Program Actuarial Valuation for fiscal year 2014-15: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.50% investment rate of return (net of investment and administrative expenses), 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2015, the future revenue from contributions and appropriations for the STRS Defined Benefit Program was projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

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 the next three years 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 will go 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. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

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 will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act

changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, the GASB approved Statements Nos. 67 and 68 (the “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.

The District’s proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2016, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expense
STRS	\$24,692,997	\$4,040,665	\$4,916,421	\$1,732,494
PERS	<u>7,828,815</u>	<u>2,942,537</u>	<u>2,190,249</u>	<u>719,534</u>
Total	<u>\$32,521,812</u>	<u>\$6,983,202</u>	<u>\$7,106,670</u>	<u>\$2,452,028</u>

Source: *Banning Unified School District*.

For additional information, see “APPENDIX B - 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 14” attached hereto.

Other Post-Employment Benefits

Program Benefits. The District administers a single-employer defined benefit health care plan (the “Plan”). The Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 35 retirees and beneficiaries currently receiving benefits and 484 active plan members.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the District, its bargaining units, and unrepresented groups. The District’s contribution is currently based on a “pay-as-you-go” basis to cover the cost of benefits for current retirees. For fiscal year 2013-14, the District contributed \$743,568 to the Plan, all of which was used for current premiums. For fiscal year 2014-15, the District contributed \$648,757 to the Plan, all of which was used for current premiums. For fiscal year 2015-16, the District contributed \$724,177 to the Plan, all of which was used for current premiums. The District has budgeted its contribution for fiscal year 2016-17 to be \$_____.

Accrued Liability. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its accrued liability in connection with post-employment benefits provided by the Plan. The most recent of these studies concluded that the District’s total unfunded actuarial accrued liability (the “AAL”) for such benefits, as of the April 1, 2016 valuation date, was \$7,592,620, and that the District’s annual required contribution (“ARC”) in respect of such benefits was \$1,165,850. The ARC is the amount that would be necessary to fund of the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”), and to amortize the AAL in accordance with GASB Statements Nos. 43 and 45.

As of June 30, 2016, the District recognized a long-term balance sheet liability (the “Net OPEB Obligation”) with respect to Plan benefits of \$2,221,717, based on its contributions towards the actuarially-determined ARC during fiscal year 2015-16, and as adjusted for interest on the prior year’s Net OPEB Obligation and any other adjustments to the ARC. See “APPENDIX B - 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 9” attached hereto.

Early Retirement Incentives

The District adopted Retirement Incentive Plans (the “Retirement Plans”) in April 2012 for fiscal year 2011-12, December 2012 for fiscal year 2012-13, November 2013 for fiscal year 2013-14, December 2014 for fiscal year 2014-15, and November 2015 for fiscal year 2015-16. Under the respective Retirement Plans, eligible retirees who retired prior to the established deadlines are provided an annual cash payment according to the respective Retirement Plan’s provisions. In aggregate, 12 eligible employees chose to participate in the Retirement Plans offered in 2012 through 2013, three eligible employees chose to participate in the Retirement Plan offered in 2014, and two eligible employees chose to participate in the Retirement Plan offered in 2015. Future payments of the District for the Retirement Plans, as of June 30, 2016, are as shown in the following table.

RETIREMENT PLAN PAYMENTS Banning Unified School District

Year Ended	
<u>June 30</u>	<u>Payment</u>
2017	\$80,000
2018	23,833
2019	<u>7,500</u>
Total	<u>\$111,333</u>

Source: Banning Unified School District.

Participation in Joint Powers Authorities

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The District is a member of the following four joint power authorities (each a “JPA”): (1) the Riverside Schools’ Insurance Authority (“RSIA”) for property and liability insurance coverage; (2) the Riverside County Employer/Employee Partnership (“REEP”) to provide employee health benefits; (3) the Riverside Schools Risk Management Authority (“RSRMA”); and (4) the Protected Insurance Program for Schools (“PIPS”). The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers’ compensation experience of the participating districts is calculated as one experience and a common premium rate. Each participant pays its workers’ compensation premium based on its individual rate.

The District pays an annual premium to the applicable entity for its health, workers’ compensation, and property liability coverage. The relationships between the District and the JPAs 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 these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities. The District has appointed one board member to the governing board of RSIA.

During the fiscal year ending June 30, 2016, settled claims for property and liability insurance coverage through RSIA have not exceeded the commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. During the year ended June 30, 2016, the District made payments of \$262,546 to RSIA, \$4,157,919 to REEP, and \$828,893 to PIPS. For

the year ending June 30, 2017, the District has budgeted payments of \$ _____ to RSIA, \$ _____ to REEP, and \$ _____ to PIPS.

There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage. See also “APPENDIX B - 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 16” attached hereto.

District Debt Structure

Long-Term Obligations. A schedule of changes in long-term debt for the fiscal year ended June 30, 2016, is shown below:

SCHEDULE OF LONG TERM DEBT⁽¹⁾

As of June 30, 2016

Banning Unified School District

	Balance	Additions and		Balance
	<u>July 1, 2015</u>	<u>Adjustments</u>	<u>Deductions</u>	<u>June 30, 2016</u>
General obligation bonds	\$46,339,796	\$29,831,306	\$32,260,000	\$43,911,102
Premium on issuance	3,123,530	5,513,238	203,737	8,433,031
Capital leases	133,860	143,284	68,739	208,405
Accumulated vacation	616,930	35,583	--	652,513
OPEB Obligation ⁽¹⁾	<u>1,805,164</u>	<u>809,922</u>	<u>393,369</u>	<u>2,221,717</u>
Total	<u>\$52,019,280</u>	<u>\$36,333,333</u>	<u>\$32,925,845</u>	<u>\$55,426,768</u>

⁽¹⁾ Reflects the change in the District’s Net OPEB Obligation, based on the District’s contributions towards its actuarially-determined ARC. See “BANNING UNIFIED SCHOOL DISTRICT – Other Post-Employment Benefits” herein.

Source: *Banning Unified School District*.

General Obligation Bonds. On November 5, 2002, the voters of the District approved the issuance of \$12,000,000 of general obligation bonds of the District (the “2002 Authorization”), payable from *ad valorem* taxes levied on taxable property within the District. On April 1, 2003, the District caused the issuance of its General Obligation Bonds, 2002 Election, Series A (the “2002 Series A Bonds”) in the aggregate principal amount of \$7,999,674.25. On June 17, 2004, the District caused the issuance of its General Obligation Bonds, 2002 Election, Series B (the “2002 Series B Bonds”) in the aggregate principal amount of \$4,000,037.50. On July 31, 2014, the District issued its 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) in the aggregate principal amount of \$8,025,000 for the purpose of currently refunding a portion of the then-outstanding 2002 Series A Bonds and 2002 Series B Bonds.

On November 7, 2006, the voters of the District approved the issuance of \$63,000,000 of general obligation bonds of the District (the “2006 Authorization”), payable from *ad valorem* taxes levied on taxable property within the District. On March 15, 2007, the District caused the issuance of its General Obligation Bonds, 2006 Election, Series A (the “2006 Series A Bonds”) in the aggregate principal amount of \$13,500,000. On August 1, 2008, the District caused the issuance of its General Obligation Bonds, 2006 Election, Series B (the “2006 Series B Bonds”) in the aggregate principal amount of \$23,999,287.50. On June 30, 2016, the District issued its 2016 General Obligation Refunding Bonds (the “2016 Refunding Bonds”) in the aggregate principal amount of \$29,400,000 for the purpose of advance refunding a portion of the then-outstanding 2006 Series A Bonds and 2006 Series B Bonds.

The 2016 Authorization was approved by voters at an election held on November 8, 2016, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed \$25,500,000* principal amount of general obligation bonds of the District. The Bonds represent the first series of bonds issued pursuant to the 2016 Authorization. After the issuance of the Bonds, none* of the 2016 Authorization will remain unissued.

**ANNUAL DEBT SERVICE
GENERAL OBLIGATION BONDS⁽¹⁾
Banning Unified School District**

Period Ending	2002	2002	2006	2006	2014	2016		Total Annual
<u>Aug. 1</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Refunding Bonds</u>	<u>Refunding Bonds</u>	<u>The Bonds</u>	<u>Debt Service</u>
2017	\$350,000.00	--	\$236,250.00	\$510,500.00	\$498,512.50	\$1,384,500.00		
2018	--	--	--	577,500.00	870,112.50	1,613,000.00		
2019	--	--	--	675,000.00	903,312.50	1,668,850.00		
2020	--	--	--	750,000.00	928,312.50	1,704,050.00		
2021	--	--	--	850,000.00	960,212.50	1,737,250.00		
2022	--	--	--	950,000.00	990,212.50	1,788,750.00		
2023	--	--	--	1,025,000.00	1,021,962.50	1,851,500.00		
2024	--	--	--	1,150,000.00	1,050,212.50	1,889,750.00		
2025	--	--	--	1,300,000.00	1,094,962.50	1,944,500.00		
2026	--	\$325,000.00	--	--	790,212.50	3,199,750.00		
2027	--	350,000.00	--	--	831,162.50	3,360,250.00		
2028	--	1,300,000.00	--	--	--	3,547,500.00		
2029	--	--	--	--	--	3,714,500.00		
2030	--	--	--	--	--	3,936,500.00		
2031	--	--	--	--	--	4,180,000.00		
2032	--	--	--	--	--	3,800,400.00		
2033	--	--	--	--	--	3,900,000.00		
Total	<u>\$350,000.00</u>	<u>\$1,975,000.00</u>	<u>\$236,250.00</u>	<u>\$7,788,000.00</u>	<u>\$9,939,187.50</u>	<u>\$45,221,050.00</u>		

Source: Banning Unified School District

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

Year Ending	
<u>June 30</u>	<u>Lease Payment</u>
2017	\$51,748
2018	<u>48,724</u>
Total	\$100,472

Source: Banning Unified School District.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, and based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond

* Preliminary, subject to change.

Counsel interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from the State personal income taxation.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Bond or the interest thereon if any such change occurs or action is taken upon advice or approval of bond counsel other than Bond Counsel.

The opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, Bond Counsel to the District, approving the validity of the Bonds, in substantially the form appearing in APPENDIX A hereto, will be supplied to the original purchasers of the Bonds without cost. See APPENDIX A - "FORM OF OPINION OF BOND COUNSEL" for the proposed form of the opinion of Bond Counsel. A copy of the legal opinion will be attached at the end of each Bond. The payment of fees of Bond Counsel is contingent upon the closing of the Bonds transaction.

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest on the Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Owners, would have little, if any, right to participate in such an IRS audit examination process. Moreover, because achieving judicial review in connection with an IRS audit examination of tax-exempt bonds is difficult, obtaining an

independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Owners to incur significant expense.

Original Issue Discount; Premium Bonds

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

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

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

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement under the caption "- Opinion of Bond Counsel," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date such Bonds were issued as a result of future

acts or omissions of the District in violation of its covenants in the Resolution. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Resolution.

Internal Revenue Service Audit of Tax-Exempt Bond Issues

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

Information Reporting and Backup Withholding

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

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

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

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

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

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2016-17 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in “APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to timely file the Annual Reports required by its existing continuing disclosure undertakings for fiscal years 2010-11 through 2011-12, though such reports were ultimately filed on December 20, 2013. In addition, within the past five years the District has also failed to file certain notices of listed events as required by its prior continuing disclosure undertakings. In connection with the annual reports discussed above, the District has never filed a notice of failure to provide annual financial information, on or before the date specified in its prior continuing disclosure certificates.

The District has retained a dissemination agent to assist it in preparing and filing the annual reports and notices of listed events required under its existing continuing disclosure obligations, including the Bonds.

The District elected to participate in the Municipalities Continuing Disclosure Cooperation (“MCDC”) initiative of the Securities and Exchange Commission. The MCDC is a program allowing issuers and underwriters to voluntarily report issuances of municipal obligations where the official statement or other offering document therefor may have made misstatements about compliance with the issuer’s or other obligated person’s continuing disclosure obligations. In official statements disseminated in connection with the District’s \$2,170,000 Tax and Revenue Anticipation Notes, Series 2011-2012, and \$5,000,000 2011-2012 Tax and Revenue Anticipation Notes, Series B (collectively, the “TRANS Issuance”), the District made certain misstatements indicating that it was then in compliance with its past continuing disclosure undertakings. In light of these misstatements, the District elected to self-report under MCDC for statements made in the official statements for the TRANS Issuances. [TO BE UPDATED]

No Litigation

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

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2016, 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 _____, 2016 of _____ (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, 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.

Legal Opinion

The validity of the Bonds and certain other legal matters with respect thereto are subject to the approving opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as Bond Counsel, relating to the Bonds. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

The Bonds have been assigned the rating of "___" by S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P"). The rating reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: S&P, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

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

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

Underwriting

Purchase of Bonds. Pursuant to the terms of a Notice Inviting Proposals for Purchase of Bonds (the “Notice Inviting Proposals”), RBC Capital Markets, LLC (the “Underwriter”) will purchase all of the Bonds for a purchase price of \$_____, which is equal to the initial principal amount of the Bonds of \$_____, plus net original issue premium of \$_____, less \$_____ of underwriting discount.

The purchase contract for the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

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

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

Additional Information

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

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

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

BANNING UNIFIED SCHOOL DISTRICT

By: _____
Robert Guillen
Superintendent

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series A Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Banning Unified School District, proposes to render their final approving opinion with respect to the Series A Bonds in substantially the following form:

Board of Trustees of the
Banning Unified School District
161 W. Williams Street
Banning, CA 92220

Re: \$ _____ Banning Unified School District
 General Obligation Bonds, 2016 Election, Series A
 Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Banning Unified School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$ _____ principal amount of Banning Unified School District General Obligation Bonds, 2016 Election, Series A (“Bonds”). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on February 16, 2017 (Resolution No. 16-17-14) (“District Resolution”), and a Resolution of the Board of Supervisors of the County of Riverside (“County”), adopted on _____, 2017 (Resolution No. 2017-_____) (“County Resolution” and collectively with the District Resolution, the “Bond Resolution”), and in accordance with the provisions of the California Constitution, statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and pursuant to California Education Code Sections 15264, 15266(b), and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapters 1 and 2 of the State of California Education Code, commencing with Section 15100 and related California law.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County of Riverside and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the effect on interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to ad valorem taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt

from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

APPENDIX B

2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Banning Unified School District (the “District”) in connection with the issuance of \$ _____ of the District’s General Obligation Bonds, 2016 Election, Series A (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the County Board of Supervisors of Riverside County on March 7, 2017 (the “Resolution”) and the Board of Trustee of the District on February 16, 2017. The District covenants and agrees as follows:

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

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

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

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

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

“Holders” shall mean registered owners of the Bonds.

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

“Official Statement” means that certain official statement, dated _____, 2017, relating to the offering and sale of the Bonds.

“Participating Underwriter” shall mean _____, as the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

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

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

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

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;

- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) assessed valuation of taxable property within the District for the current fiscal year; and
- (f) secured tax levy collections and delinquencies within the District for the last completed fiscal year, except to the extent the Teeter Plan, as adopted by Ventura County, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District.

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

(b) The Annual Report shall be filed in an electronic format, 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(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

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

possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a

successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and
- (d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the

District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: _____, 2017

BANNING UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: BANNING UNIFIED SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, 2016 Election, Series A

Date of Issuance: _____, 2017

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

Dated: _____

BANNING UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BANNING AND RIVERSIDE COUNTY

The following information regarding the City of Banning (the “City”), and Riverside County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

The City of Banning. Located in the San Gorgonio Pass, between Mt. San Gorgonio to the north and Mt. San Jacinto to the South, the City was a stage coach stop as early as 1862, along the route to where gold was discovered. Banning is still known as Stagecoach Town, U.S.A. and hosts an annual Stagecoach Days Celebration. A general law city incorporated in 1913, the City has a Council-Manager form of government. One of the five City-wide elected council members is appointed mayor by the Council each year. Council members serve staggered four-year terms.

Riverside County. Incorporated in 1893, the County is the fourth largest county in the State of California (the “State”), encompassing approximately 7,295 square miles. It is currently the tenth most populous county in the United States. The County 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 is a general law county governed by a County Board of Supervisors consisting of an elected supervisor from each of five districts. Each supervisor serves four-year terms and together they annually elect a Chairman amongst themselves. Experiencing a period of growth and development, the County is one of the fastest-growing counties in the State.

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Population

The following table shows historical population figures for the City, the County and the State for the past ten years.

POPULATION ESTIMATES
2007 through 2016
City of Banning, Riverside County and the State of California

<u>Year⁽¹⁾</u>	<u>City of Banning</u>	<u>Riverside County</u>	<u>State of California</u>
2007	28,634	2,049,902	36,399,676
2008	28,695	2,102,741	36,704,375
2009	29,144	2,140,626	36,966,713
2010 ⁽²⁾	29,603	2,189,641	37,253,956
2011	29,818	2,212,874	37,536,835
2012	30,133	2,239,715	37,881,357
2013	30,332	2,266,549	38,239,207
2014	30,483	2,291,093	38,567,459
2015	30,659	2,317,924	38,907,642
2016	30,834	2,347,828	39,255,883

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

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

2006-09, 2011-16 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

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Income

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

PER CAPITA PERSONAL INCOME
2006 through 2015
Riverside County, State of California, and United States

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2006	\$31,574	\$42,334	\$38,144
2007	31,972	43,692	39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,315	40,277
2011	31,828	45,820	42,453
2012	32,263	48,312	44,267
2013	32,765	48,471	44,462
2014	33,867	50,988	46,414
2015	35,589	53,741	48,112

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2015 reflect county population estimates available as of March 2016.

All dollar estimates are in current dollars (not adjusted for inflation).

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

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Principal Employers

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

PRINCIPAL EMPLOYERS

2016

City of Banning

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees⁽¹⁾</u>
Morongo Casino Resort & Spa	Amusement and Recreation Services	--
San Geronio Memorial Hospital	Services: Health	--
Highland Springs Medical Center	Services: Health	--
Wal-Mart	Retail Trade: General Merchandise	--
Banning Beaver Medical Center	Services: Health	--
Lowe's Distribution Center	Wholesale Trade: Durable Goods	--
City of Banning	Public Administration	--
Desert Hills Premium Outlets	Retail Trade: General Merchandise	--
Stater Brothers Market	Retail Trade: Food Stores	--
Home Depot	Retail Trade: General Merchandise	--

(1) Number of employees not available.

Source: City of Banning Chamber of Commerce, "2016 Pass Area Business Directory & Visitors Guide."

PRINCIPAL EMPLOYERS

2016

Riverside County

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
County of Riverside	Public Administration	21,479
March Air Reserve Base	National Security	8,500
University of California Riverside	Services: Educational	8,306
Amazon	Retail Trade: General Merchandise Stores	7,500
Stater Brothers Market	Retail Trade: Food Stores	6,900
Kaiser Permanente Riverside Medical Center	Services: Health	5,300
Corona-Norco Unified School District	Services: Educational	5,098
Desert Sands Unified School District	Services: Educational	4,202
Riverside Unified School District	Services: Educational	3,973
Pechanga Resort Casino	Amusement and Recreation Services	3,931

Source: "Comprehensive Annual Financial Report" of Riverside County, California for the fiscal year ended June 30, 2016.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2011 through 2015 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES 2011 through 2015⁽¹⁾ City of Banning, Riverside County, State of California, and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
<u>2011</u>				
City of Banning	12,000	10,100	1,900	15.7%
Riverside County	939,600	810,400	129,200	13.8
State of California	18,415,100	16,258,100	2,157,000	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
<u>2012</u>				
City of Banning	12,000	10,300	1,700	14.0%
Riverside County	944,500	828,800	115,600	12.3
State of California	18,551,400	16,627,800	1,923,600	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
<u>2013</u>				
City of Banning	12,100	10,700	1,400	11.8%
Riverside County	953,200	855,300	97,900	10.3
State of California	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
<u>2014</u>				
City of Banning	10,700	9,900	800	7.3%
Riverside County	1,011,500	928,200	83,400	8.2
State of California	18,827,900	17,418,800	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of Banning	10,700	10,100	600	5.9%
Riverside County	1,035,200	965,500	69,600	6.7
State of California	18,891,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

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

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2015 Benchmark.

Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the calendar years 2011 through 2015. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2011 through 2015 Riverside County (Riverside-San Bernardino-Ontario MSA)

<u>Category</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Farm	14,900	15,000	14,500	14,400	15,100
Total Nonfarm	1,154,500	1,185,200	1,233,300	1,289,300	1,347,400
Total Private	927,000	960,600	1,008,100	1,060,500	1,114,000
Goods Producing	145,200	150,500	158,600	170,200	182,100
Mining and Logging	1,000	1,200	1,200	1,300	1,300
Construction	59,100	62,600	70,000	77,600	85,200
Manufacturing	85,100	86,700	87,300	91,300	95,600
Durable Goods	55,800	56,900	57,300	60,200	62,800
Nondurable Goods	29,300	29,800	30,100	31,100	32,800
Service Providing	1,009,300	1,034,700	1,074,700	1,119,100	1,165,200
Private Service Producing	781,800	810,100	849,600	890,300	931,900
Trade, Transportation and Utilities	275,600	287,600	299,700	314,900	332,500
Wholesale Trade	49,200	52,200	56,400	58,900	61,700
Retail Trade	158,500	162,400	164,800	169,400	173,500
Transportation, Warehousing and Utilities	67,900	73,000	78,400	86,600	97,300
Information	12,200	11,700	11,500	11,300	11,300
Financial Activities	39,500	40,200	41,300	42,300	43,200
Professional and Business Services	126,000	127,500	132,400	139,300	144,400
Educational and Health Services	165,400	173,600	187,600	194,800	205,000
Leisure and Hospitality	124,000	129,400	135,900	144,800	151,500
Other Services	39,100	40,100	41,100	43,000	44,000
Government	<u>227,500</u>	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,400</u>
Total, All Industries	<u>1,169,400</u>	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,362,400</u>

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

Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles MSA Annual Average Labor Force and Industry Employment. March 2015 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2010 through 2014 are shown in the following tables.

ANNUAL TAXABLE SALES
2010 through 2014⁽¹⁾
City of Banning
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2010	340	\$133,218	471	\$146,742
2011	323	143,230	448	157,071
2012	340	146,600	466	165,579
2013	332	154,595	460	175,386
2014	334	158,551	450	181,922

Note: In 2009, retail permits expanded to include permits for food services.

⁽¹⁾ Calendar year 2015 data is not yet available.

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

ANNUAL TAXABLE SALES
2010 through 2014⁽¹⁾
Riverside County
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2010	32,534	\$16,919,500	45,688	\$23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,543	32,035,687

Note: In 2009, retail permits expanded to include permits for food services.

⁽¹⁾ Calendar year 2015 data is not yet available.

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

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2011 through 2015 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS 2011 through 2015 City of Banning (Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$980	\$742	\$935	\$827	\$689
Non-Residential	<u>1,823</u>	<u>953</u>	<u>3,106</u>	<u>3,417</u>	<u>2,741</u>
Total	\$2,803	\$1,695	\$4,041	\$4,244	\$3,430
Units					
Single Family	0	0	2	2	0
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	0	0	2	2	0

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

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2011 through 2015 Riverside County (Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$879,949	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742
Non-Residential	<u>559,409</u>	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>
Total	\$1,439,358	\$1,737,000	\$2,249,570	\$2,436,741	2,448,207
Units					
Single Family	2,659	3,720	4,716	5,007	5,007
Multiple Family	<u>1,061</u>	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>
Total	3,720	4,629	6,143	6,938	6,196

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY TREASURY POOL

The following information concerning the Riverside County (the "County") Treasury Pool (the "Treasury Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. Neither the District, the Financial Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: <http://www.Riverside.org/ttc/>. However, the information presented on such website is not incorporated into this Official Statement by any reference.