NEW ISSUE—FULL BOOK-ENTRY

RATINGS:
S&P: "AA" (Insured)
S&P: "A+" (Underlying)
Moody's: "Aa2" (Underlying)
(See "MISCELLANEOUS—Ratings" herein)

STATE OF CALIFORNIA **COUNTY OF RIVERSIDE**

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2015 Bonds is exempt from State of California personal income taxes. See "LEGAL MATTERS—Tax Matters" herein.

$48,810,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
2015 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery **Due: As shown on the inside cover**

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 on this cover page not otherwise defined shall have the meanings set forth herein.

The $48,810,000 Riverside Unified School District, Riverside County, California, 2015 General Obligation Refunding Bonds (the "2015 Bonds") are being issued by the District to (i) refund certain of the District's outstanding General Obligation Bonds, as more particularly described herein, (ii) pay the costs of issuing the 2015 Bonds and (iii) to purchase a municipal bond insurance policy on the 2015 Bonds. See "INTRODUCTION—Purpose of Issue" and "THE 2015 BONDS—Application and Investment of 2015 Bond Proceeds and *Ad Valorem* Taxes" herein.

The 2015 Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of Riverside County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the 2015 Bonds when due. The District has other outstanding general obligation bonds which are secured by and payable from *ad valorem* taxes levied on taxable property within the District. See "SECURITY FOR THE 2015 BONDS" and "TAX BASE FOR REPAYMENT OF BONDS—*Ad Valorem* Property Taxation" herein.

The 2015 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"). Payments of principal of and interest on the 2015 Bonds will be paid by U.S. Bank National Association, as the paying agent, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the 2015 Bonds. See "THE 2015 BONDS—Book-Entry Only System" herein.

The 2015 Bonds will be dated their date of delivery. Interest on the 2015 Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

The 2015 Bonds are subject to optional redemption prior to maturity as described herein. See "THE 2015 BONDS—Redemption of 2015 Bonds" herein.

BAM
BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the 2015 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2015 Bonds by Build American Mutual Assurance Company. See "BOND INSURANCE" and Appendix I—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

THE 2015 BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE 2015 BONDS.

MATURITY SCHEDULE
(See Inside Front Cover)

The 2015 Bonds were sold by competitive bid on June 3, 2015 to Stifel, Nicolaus & Company, Incorporated. The 2015 Bonds are subject to the approval of legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. The 2015 Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about June 17, 2015.

Dated: June 3, 2015

MATURITY SCHEDULE
$48,810,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
2015 GENERAL OBLIGATION REFUNDING BONDS

Maturity (August 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP*†
2015	$1,880,000	2.00%	0.40%	100.195	769059WW2
2016	2,480,000	5.00	0.50	105.029	769059WX0
2017	2,525,000	5.00	0.90	108.598	769059WY8
2018	2,560,000	5.00	1.30	111.283	769059WZ5
2019	2,605,000	5.00	1.52	113.852	769059XA9
2020	2,635,000	5.00	1.73	115.961	769059XB7
2021	2,670,000	5.00	2.03	117.015	769059XC5
2022	1,350,000	5.00	2.19	118.435	769059XD3
2023	2,055,000	5.00	2.37	119.324	769059XE1
2024	1,420,000	5.00	2.57	119.645	769059XF8
2025	1,490,000	5.00	2.74	119.856	769059XG6
2026	1,905,000	5.00	2.92	118.111[C]	769059XH4
2027	2,125,000	5.00	3.08	116.584[C]	769059XJ0
2028	6,770,000	5.00	3.18	115.642[C]	769059XK7
2029	7,070,000	3.50	3.70	97.812	769059XL5
2030	7,270,000	3.50	3.78	96.794	769059XM3

† *CUSIP® is a registered trademark of the American Bankers Association.* CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. The District does not take any responsibility for the accuracy of such numbers.

C Price to yield to first optional redemption date of August 1, 2025 at par.

This Official Statement does not constitute an offering of any security other than the original offering of the 2015 Bonds. 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 2015 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 Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

Certain 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. 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 a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

In connection with this offering, the Purchaser may overallot or effect transactions which stabilize or maintain the market prices of the 2015 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Purchaser may offer and sell the 2015 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Purchaser.

The District maintains a website. However, the information presented there is not part of this Official Statement, is not incorporated herein, and should not be relied upon in making an investment decision with respect to the 2015 Bonds.

Build America Mutual Assurance Company (the "Insurer") makes no representation regarding the 2015 Bonds or the advisability of investing in the 2015 Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer supplied by the Insurer and presented under the heading "BOND INSURANCE" and APPENDIX G—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

(THIS PAGE INTENTIONALLY LEFT BLANK)

RIVERSIDE UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Kathy Y. Allavie, President
Tom Hunt, Vice President
Brent Lee, Clerk
Gayle Cloud, Member
Patricia Lock-Dawson, Member

DISTRICT ADMINISTRATION

David C. Hansen, Ed.D., Superintendent
Michael H. Fine, Deputy Superintendent. Business Services and Government Relations
Sandra L. Meekins, Director of Business Services

PROFESSIONAL SERVICES

BOND COUNSEL

Best Best & Krieger LLP
Riverside, California

DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

PAYING AGENT/ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore, P.C.
Denver, Colorado

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

INTRODUCTION....1
The District....1
Purpose of Issue....1
Sources of Payment for the 2015 Bonds....1
Description of the 2015 Bonds....2
Tax Matters....2
Authority for Issuance of the 2015 Bonds....2
Offering and Delivery of the 2015 Bonds....2
Continuing Disclosure....3
Forward Looking Statements....3
Professionals Involved in the Offering....3
Other Information....3
THE 2015 BONDS....4
Authority for Issuance....4
Security and Sources of Payment....4
Description of the 2015 Bonds....5
Paying Agent....5
Application and Investment of 2015 Bond Proceeds and Tax Revenues....5
Redemption of 2015 Bonds....6
Selection of 2015 Bonds for Redemption....6
Notice of and Effect of Redemption of the 2015 Bonds....6
Book-Entry Only System....7
Defeasance....7
Supplemental Resolutions....8
Unclaimed Moneys....9
Sources and Uses of Funds....9
DEBT SERVICE SCHEDULE....9
SECURITY FOR THE 2015 BONDS....10
BOND INSURANCE....11
Bond Insurance Policy....11
Build America Mutual Assurance Company....11
TAX BASE FOR REPAYMENT OF THE 2015 BONDS....13
Ad Valorem Property Taxation....13
Historical Data Concerning District Tax Base....15
Tax Levies and Delinquencies....16
Tax Rates....17
Largest Taxpayers....18
THE DISTRICT....19
Introduction....19
Board of Education....20
Superintendent and Administrative Personnel....20
Employee Relations....20
Post-employment Benefits....26
Insurance....27
DISTRICT FINANCIAL MATTERS....27
Accounting Practices....27
District Budget....27
State Funding of Education....29
Historical General Fund Financial Information....33
Current Financial Condition....36
Revenue Sources....38
State Apportionment Funding....38
Federal Revenues....38
Other State Sources....38
Other Local Sources....39
Capital Projects Funds....39
DISTRICT DEBT STRUCTURE....40
Long-Term Debt....40
Short-Term Debt....40
Direct and Overlapping Debt....40
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS....42
Article XIIIA....42
Article XIIIB....42
Articles XIIIC and XIIID....43
Proposition 46....45
Proposition 39....45
Propositions 98 and 111....45
Proposition 1A and Proposition 22....46
Proposition 30....47
Proposition 2....48
Jarvis v. Connell....49
Future Initiatives....49
STATE OF CALIFORNIA FISCAL ISSUES....49
General Overview....49
2014-15 State Budget....50
Governor’s Proposed 2015-16 Budget....52
May Revision....54
State Dissolution of Redevelopment Agencies....55
Litigation Challenging Method of School Financing....57
LEGAL MATTERS....57
Tax Matters....57
Legality for Investment in California....58
No Litigation....58
Verification....59
CONTINUING DISCLOSURE....59
MISCELLANEOUS....61
Ratings....61
Underwriting....62
Audited Financial Statements....62
Financial Interests....62
ADDITIONAL INFORMATION....62

APPENDIX A FORM OF OPINION OF BOND COUNSEL FOR THE 2015 BONDS....A-1
APPENDIX B DISTRICT’S FISCAL YEAR 2013-14 AUDITED FINANCIAL STATEMENTS....B-1
APPENDIX C FORM OF CONTINUING DISCLOSURE CERTIFICATE....C-1
APPENDIX D ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE DISTRICT....D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM....E-1
APPENDIX F COUNTY OF RIVERSIDE POOLED INVESTMENT FUND....F-1
APPENDIX G SPECIMEN MUNICIPAL BOND INSURANCE POLICY....G-1

(THIS PAGE INTENTIONALLY LEFT BLANK)

$48,810,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)
2015 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Riverside Unified School District (the "District"), located in Riverside County, California, to provide information concerning the $48,810,000 Riverside Unified School District, Riverside County, California, 2015 General Obligation Refunding Bonds (the "2015 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 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 2015 Bonds to potential investors is made only by means of the entire Official Statement.

The District

The District is a unified school district encompassing an area of approximately 92 square miles and located in the northwestern portion of Riverside County approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District (which was founded in 1887) and the Riverside City High School District. The District serves approximately 42,000 students. The District operates twenty-nine elementary schools, seven middle schools, five high schools, two alternative high schools, one virtual school, one adult school, one special education preschool and one STEM Academy.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. See "THE DISTRICT."

Purpose of Issue

Proceeds from the 2015 Bonds will be used to: (i) refund the District's outstanding General Obligation Bonds, 2001 Election, Series 2006B (the "Refunded Bonds"), (ii) pay the costs of issuing the 2015 Bonds, and (iii) to purchase a municipal bond insurance policy on the 2015 Bonds. See "THE 2015 BONDS—Application and Investment of 2015 Bond Proceeds and Ad Valorem Taxes" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Sources of Payment for the 2015 Bonds

Ad Valorem Taxes. The 2015 Bonds are general obligation bonds of the District. The Board of Supervisors of the County of Riverside has the power and is obligated annually to levy *ad valorem* taxes for the payment of the 2015 Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE 2015 BONDS" herein.

THE 2015 BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE 2015 BONDS.

Description of the 2015 Bonds

Maturity Dates. The 2015 Bonds will mature on August 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement.

Payment Dates. The 2015 Bonds will be dated their date of delivery. Interest on the 2015 Bonds accrues from their dated date at the rates set forth on the inside cover page of this Official Statement, and is payable semiannually on each February 1 and August 1, commencing August 1, 2015 (each, a "Bond Payment Date"). The principal amount of the 2015 Bonds is payable at maturity or at earlier redemption upon surrender of the applicable 2015 Bond for payment.

Registration. The 2015 Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the 2015 Bonds (the "Beneficial Owners") in authorized denominations, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the 2015 Bonds. See "THE 2015 Bonds—Book-Entry Only System" and Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Denominations. The 2015 Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 or any integral multiple thereof.

Redemption. The 2015 Bonds are subject to redemption prior to maturity. See "THE 2015 BONDS—Redemption Provisions" herein.

Tax Matters

In the opinion of Best Best & Krieger LLP, Riverside, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2015 Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS—Tax Matters" herein.

Authority for Issuance of the 2015 Bonds

The 2015 Bonds are issued pursuant to certain provisions of the State of California Government Code, as well as other applicable law, and pursuant to a resolution adopted by the Board of Education of the District. See "THE 2015 BONDS—Authority for Issuance" herein.

Offering and Delivery of the 2015 Bonds

The 2015 Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the 2015 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 10, 2015.

Continuing Disclosure

The District will covenant for the benefit of bondholders and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and the enumerated events are summarized below under the caption "CONTINUING DISCLOSURE" and set forth in Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

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

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

Professionals Involved in the Offering

Best Best & Krieger LLP is acting as Bond Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Disclosure Counsel to the District with respect to the 2015 Bonds. Causey, Demgen & Moore, P.C., Denver, Colorado, is acting as verification agent with respect to the 2015 Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California is serving as financial advisor to the District in connection with the issuance of the 2015 Bonds. The fees paid to these consultants are contingent upon the sale and delivery of the 2015 Bonds.

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 2015 Bonds are available from the Riverside Unified School District, 3380 14th Street, Riverside, California 92501, telephone: (951) 788-7135. 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 2015 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 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information 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 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 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

All terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Resolution (as defined below).

THE 2015 BONDS

Authority for Issuance

The 2015 Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Refunding Act"), and pursuant to a resolution adopted by the Board of Education of the District on May 4, 2015 (the "Bond Resolution").

Security and Sources of Payment

The 2015 Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes. Such taxes will be levied annually by the Board of Supervisors of the County in addition to all other taxes during the period that the 2015 Bonds are outstanding in an amount sufficient to pay the principal of and interest on the 2015 Bonds when due. See "SECURITY FOR THE 2015 BONDS" and "TAX BASE FOR REPAYMENT OF 2015 BONDS." Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which fund is segregated and maintained by the County. The Debt Service Fund is irrevocably pledged for the payment of principal of and interest on the 2015 Bonds when due. Although the Board of Supervisors of the County is obligated to levy *ad valorem* taxes for the payment of the 2015 Bonds, and will maintain the Debt Service Fund pledged to the repayment of the 2015 Bonds, the 2015 Bonds are not a debt of the County.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the 2015 Bonds as such principal and interest becomes due and payable, will be transferred to the Paying Agent (defined below). The Paying Agent will, in turn, transfer the funds to DTC, which is to distribute the principal and interest payments due on the 2015 Bonds to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the 2015 Bonds. See "THE 2015 BONDS—Book-Entry Only System."

Description of the 2015 Bonds

The 2015 Bonds will be dated their date of delivery. Interest on the 2015 Bonds accrues from their dated date, and is payable semiannually on each Bond Payment Date, commencing August 1, 2015, at the annual interest rates shown on the inside cover page of this Official Statement. The 2015 Bonds are issuable in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the 2015 Bonds on the basis of a 360-day year comprised of twelve 30 day months.

Paying Agent

U.S. Bank National Association will act as paying agent, authenticating agent and transfer agent (the "Paying Agent") for the 2015 Bonds. If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District.

Application and Investment of 2015 Bond Proceeds and Tax Revenues

The 2015 Bonds are being issued to: (i) refund all of the Refunded Bonds and (ii) pay the costs of issuing the 2015 Bonds.

A portion of the proceeds from the sale of the 2015 Bonds will be deposited into an escrow fund (the "Escrow Fund") to refund all of the Refunded Bonds. The Escrow Fund is to be created and maintained by U.S. Bank National Association, as escrow agent (the "Escrow Agent"), under a certain Escrow Agreement, by and between the District and the Escrow Agent, for the purpose of refunding the Refunded Bonds. See "SOURCES AND USES OF FUNDS."

Moneys in the Escrow Fund will be invested in cash and/or non-callable direct obligations of the United States Treasury or other non-callable obligations, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America. Causey, Demgen & Moore, P.C., independent certified public accountants, acting as verification agent (the "Verification Agent") with respect to the Escrow Fund, will certify that the proceeds of the 2015 Bonds, along with the interest earnings thereon, if any, will be sufficient: (i) to pay the interest due on the Refunded Bonds to and including August 1, 2015 and (ii) to redeem the Refunded Bonds on August 1, 2015 at a redemption price equal to 101% the principal amount thereof.

Amounts on deposit in the Escrow Fund are not available to pay debt service on the 2015 Bonds.

Amounts which the District determines are required to be rebated to the federal government will be deposited in the Riverside Unified School District 2015 General Obligation Refunding Bonds Rebate Fund (the "Rebate Fund") established under the Bond Resolution.

Investment of Moneys in Funds. Moneys in the Riverside Unified School District 2015 General Obligation Refunding Bonds Debt Service Fund (the "Debt Service Fund"), established under the Bond Resolution, are to be used only for payments of principal of and interest on the 2015 Bonds and may be invested in any one or more investments which are lawful investments for school districts under the laws of the State of California.

It is anticipated that moneys in the Debt Service Fund and the Rebate Fund will be invested in the Riverside County Treasury Pool. See APPENDIX F —— "COUNTY OF RIVERSIDE POOLED INVESTMENT FUND."

Redemption of 2015 Bonds

Optional Redemption. The 2015 Bonds maturing on or before August 1, 2025, will not be subject to optional redemption prior to their respective stated maturity dates. The 2015 Bonds maturing on or after August 1, 2026, are subject to redemption prior to their respective stated maturity dates, at the option of the District, on any date on or after August 1, 2025, in whole or in part, as directed by the District and by lot within a maturity, from any source of available funds, at a redemption price equal to the principal amount of the 2015 Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

Selection of 2015 Bonds for Redemption

Upon any optional redemption of 2015 Bonds, if less than all Outstanding 2015 Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select 2015 Bonds for redemption as so directed in such written instruction or, if no direction is given, pro rata among maturities. Within a maturity, the Paying Agent shall select 2015 Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine to be appropriate; provided, however, that the portion of any 2015 Bond to be redeemed in part shall be in the Principal Amount of Five Thousand Dollars ($5,000), or any integral multiple thereof.

Notice of and Effect of Redemption of the 2015 Bonds

When redemption is authorized or required, and when the Paying Agent receives written instructions from the District and such confirmation from the District, as the Paying Agent shall require, that sufficient funds are available in the Debt Service Fund to redeem the 2015 Bonds that are to be redeemed, the Paying Agent shall give notice (a "Redemption Notice") of the redemption of the 2015 Bonds. Such Redemption Notice shall specify: (a) the 2015 Bonds or designated portions thereof (in the case of redemption of the 2015 Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers assigned to the 2015 Bonds to be redeemed, and (f) the 2015 Bond numbers of the 2015 Bonds to be redeemed, in whole or in part, and, in the case of any 2015 Bond to be redeemed in part only, the Principal Amount and stated Maturity Date of each 2015 Bond to be redeemed in part. Such Redemption Notice shall further state that on the specified redemption date there shall become due and payable upon each 2015 Bond, or portion thereof being redeemed, the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect to each 2015 Bond shall cease to accrue

The Paying Agent shall take the following actions with respect to any such Redemption Notice: (A) At least thirty (30) but not more than forty-five (45) days prior to the redemption date, the Redemption Notice shall be given to the respective Owners of 2015 Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing in the Bond Register. (B) At least thirty (30) but not more than forty-five (45) days prior to the redemption date, the Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to the Depository. (C) At least thirty (30) but not more than forty (45) days prior to the redemption date, the Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to the Information Services.

Notwithstanding anything to the contrary, the Paying Agent shall not mail notice of any redemption of the 2015 Bonds unless the Paying Agent shall have on deposit, as of the date of such mailing, an amount of funds sufficient to pay in full the redemption price of all of the 2015 Bonds to be redeemed, unless such notice expressly states that any redemption be contingent upon the receipt by the Paying Agent of sufficient money to effectuate the redemption on the date set for redemption.

Neither failure to receive or failure to give any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the 2015 Bonds which are being redeemed. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming 2015 Bonds shall bear or include the CUSIP numbers of, and identify, by series and maturity, the 2015 Bonds being redeemed with such check or other transfer.

Book-Entry Only System

One fully registered bond without coupons for each maturity of the 2015 Bonds will be issued and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the 2015 Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the 2015 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to DTC Participants for subsequent dispersal to the Beneficial Owners of the 2015 Bonds as described herein. See Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Defeasance

All or a portion of the outstanding 2015 Bonds may be paid and discharged in any one or more of the following ways:

(1) Cash: by irrevocably depositing with the Paying Agent or an independent escrow agent an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all of the 2015 Bonds outstanding and designated for defeasance, including all principal and interest and premium, if any; or

(2) Government Obligations: by irrevocably depositing with the Paying Agent or an independent escrow agent noncallable Government Obligations, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund, together with interest to accrue thereon, be fully sufficient to pay and discharge all 2015 Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any).

If a 2015 Bond is defeased as described above, then, all obligations of the District and the Paying Agent under the Bond Resolution with respect to such outstanding 2015 Bond shall cease and terminate, whether or not such 2015 Bond has been surrendered for payment, except only the obligation of the District to pay or cause to be paid to the Owners of such designated 2015 Bonds all sums due thereon and the obligations of the District with respect to the Rebate Fund.

In the Bond Resolution, Unites States Obligations are defined as:

Direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including United States Treasury Certificates, Notes and Bonds (including State and Local Government Series – "SLGs"), or "prerefunded" municipal obligations rated in the second highest rating category by Moody's Investors Service or Standard & Poor's Ratings Services without regard to gradation. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed in the second highest rating category without regard to gradation by Standard & Poor's Ratings Services or by Moody's Investors Service.

Supplemental Resolutions

(a) The Bond Resolution and the rights and obligations of the District and of the Owners of the 2015 Bonds may be modified or amended at any time by a supplemental resolution adopted by the Board of Education with the written consent of Owners owning at least 60% in aggregate principal amount of the 2015 Bonds then Outstanding. No such modification or amendment shall, (i) extend the maturity of any 2015 Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any 2015 Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the monies on deposit in the Debt Service Fund, superior to or on a parity with the pledge and lien created for the benefit of the 2015 Bonds, (iii) reduce the percentage of 2015 Bonds required for the amendment of the Resolution, or (iv) reduce the principal amount of or redemption premium on any 2015 Bond, or reduce the interest rate thereon.

(b) The Bond Resolution and the rights and obligations of the District and of the Owners of the 2015 Bonds may be modified or amended at any time by a supplemental resolution adopted by the District, without the written consent of the Owners, for any of the following purposes:

(1) To add to the covenants and agreements of the District in the Bond Resolution other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved in the Resolution to or conferred upon the District;

(2) to make modifications not adversely affecting any outstanding 2015 Bonds in any material respect;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Bond Resolution, or in regard to questions arising under the Bond Resolution, as the District may deem necessary or desirable and not inconsistent with the Bond Resolution, and which shall not adversely affect the rights of the Owners of the 2015 Bonds; or

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance by the District with Section 148 of the Code relating to required rebate of monies to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds or to conform with the Treasury Regulations.

(c) Any action taken pursuant to a Supplemental Resolution so consented to by the Owners of at least 60% in aggregate principal amount of the 2015 Bonds then outstanding shall be binding on the Owners of all of the 2015 Bonds and shall not be deemed to be inconsistent with any of the provisions of the Bond Resolution, whatever the character of such action may be, and such action may be taken and performed as fully and freely as if expressly permitted by the Bond Resolution. After such consent relating to specified matters has been given, No. 2015 Bond Owner shall have any right or interest to object to any such action or in any manner to question the propriety thereof or to enjoin or restrain the District or the Paying Agent, or any officer or agent thereof, from taking any action pursuant to such consent.

Unclaimed Moneys

Anything in the Bond Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the 2015 Bonds which remain unclaimed for two years after the date when such 2015 Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, shall be deposited by the Paying Agent to the account of the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such 2015 Bonds shall look only to the District for the payment of such 2015 Bonds.

Sources and Uses of Funds

The estimated sources and uses of funds in connection with the 2015 Bonds are as follows:

Sources of Funds	
Principal Amount	$ 48,810,000.00
Plus Net Original Issue Premium	4,459,461.20
Total Sources of Funds	$ 53,269,461.20
Uses of Funds	
Escrow Fund[1]	$ 52,498,253.13
Costs of Issuance[2]	771,208.07
Total Uses of Funds	$ 53,269,461.20

(1) Amounts on deposit will be used to redeem the Refunded Bonds.
(2) Includes Purchaser's discount, legal fees, financial advisor fees, rating agency fees, paying agent/escrow agent fees, verification agent fees, printing fees, the insurance premium for the municipal bond insurance policy and other miscellaneous fees.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service on the 2015 Bonds:

Period Ending (August 1)	*Annual Principal Payment*	*Annual Interest Payment*	*Total*
2015	$ 1,880,000.00	$ 265,100.00	$ 2,145,100.00
2016	2,480,000.00	2,131,400.00	4,611,400.00
2017	2,525,000.00	2,007,400.00	4,532,400.00
2018	2,560,000.00	1,881,150.00	4,441,150.00
2019	2,605,000.00	1,753,150.00	4,358,150.00
2020	2,635,000.00	1,622,900.00	4,257,900.00
2021	2,670,000.00	1,491,150.00	4,161,150.00
2022	1,350,000.00	1,357,650.00	2,707,650.00
2023	2,055,000.00	1,290,150.00	3,345,150.00
2024	1,420,000.00	1,187,400.00	2,607,400.00
2025	1,490,000.00	1,116,400.00	2,606,400.00
2026	1,905,000.00	1,041,900.00	2,946,900.00
2027	2,125,000.00	946,650.00	3,071,650.00
2028	6,770,000.00	840,400.00	7,610,400.00
2029	7,070,000.00	501,900.00	7,571,900.00
2030	7,270,000.00	254,450.00	7,524,450.00
	$48,810,000.00	$19,689,150.00	$68,499,150.00

The following table summarizes the aggregate annual debt service requirements for all of the District's outstanding general obligation bonds and the 2015 Bonds:

Riverside Unified School District
Aggregate Annual Debt Service

Year Ending (August 1)	*Prior General Obligation Bonds*[(1)]	*2015 Bonds*	*Total*
2015	$ 7,323,112.50	$ 2,145,100.00	$ 9,468,212.50
2016	5,547,512.50	4,611,400.00	10,158,912.50
2017	5,637,862.50	4,532,400.00	10,170,262.50
2018	5,732,212.50	4,441,150.00	10,173,362.50
2019	5,840,112.50	4,358,150.00	10,198,262.50
2020	5,950,762.50	4,257,900.00	10,208,662.50
2021	6,068,712.50	4,161,150.00	10,229,862.50
2022	7,703,362.50	2,707,650.00	10,411,012.50
2023	6,990,112.50	3,345,150.00	10,335,262.50
2024	7,822,362.50	2,607,400.00	10,429,762.50
2025	7,829,112.50	2,606,400.00	10,435,512.50
2026	7,454,112.50	2,946,900.00	10,401,012.50
2027	7,310,862.50	3,071,650.00	10,382,512.50
2028	2,643,012.50	7,610,400.00	10,253,412.50
2029	2,689,012.50	7,571,900.00	10,260,912.50
2030	2,732,012.50	7,524,450.00	10,256,462.50
2031	7,087,012.50	--	7,087,012.50
2032	7,083,262.50	--	7,083,262.50
2033	7,082,762.50	--	7,082,762.50
2034	7,082,912.50	--	7,082,912.50
2035	7,086,187.50	--	7,086,187.50
2036	7,083,000.00	--	7,083,000.00
2037	7,084,062.50	--	7,084,062.50
2038	7,083,325.00	--	7,083,325.00
Total	$151,946,775.00	$ 68,499,150.00	$ 220,445,925.00

(1) Excludes the Refunded Bonds.

SECURITY FOR THE 2015 BONDS

The 2015 Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of the County, on behalf of the District, is empowered and obligated annually to levy *ad valorem* taxes, without limitation of rate or amount, for the payment of the principal and interest on the 2015 Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Bond Resolution), upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The Bond Resolution pledges as security for the 2015 Bonds outstanding thereunder the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of such 2015 Bonds. See "TAX BASE FOR REPAYMENT OF 2015 BONDS" herein.

The District currently has $135,170,000 principal amount of general obligation bond debt (the "Prior General Obligation Bonds") outstanding, of which $84,330,000 will remain outstanding following the issuance of the 2015 Bonds. Upon the issuance of the 2015 Bonds, the District will have a total of $133,140,000 general obligation bonds outstanding.

The Prior General Obligation Bonds that remain outstanding following the issuance of the 2015 Bonds will also be payable solely from *ad valorem* property taxes levied on taxable property within the District to repay such bonds. The amount of the annual *ad valorem* tax levied to repay the 2015 Bonds and the Prior General Obligation 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 2015 Bonds and the Prior General Obligation Bonds in any year. Fluctuations in the annual debt service on the 2015 Bonds and the Prior General Obligation 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 could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. These factors include a general market decline in real property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State of California (the "State") and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination.

The assessed valuation of property in the District increased by approximately 6.3% over the last six fiscal years. See "TAX BASE FOR REPAYMENT OF THE 2015 BONDS—Historical Data Concerning District Tax Base." While the assessed valuations in the District have been increasing, future declines in real estate values in southern California, natural disasters or other factors could result in lower assessed values in the District and in both a higher annual tax rate within the District and a higher level of delinquencies in tax payments. The County has adopted the Teeter Plan (defined below). As a result, the District's receipt of property taxes currently is not subject to delinquencies. See "TAX BASE FOR REPAYMENT OF THE 2015 BONDS—*Ad Valorem* Property Taxation—*Teeter Plan*."

THE 2015 BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE 2015 BONDS.

BOND INSURANCE

The information under this caption has been prepared by the Insurer for inclusion in this Official Statement. Neither the School District nor the Underwriter has reviewed this information, nor do the School District or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not complete and reference is made to Appendix G for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the 2015 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the 2015 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2015 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2015 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2015 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2015 Bonds, nor does it guarantee that the rating on the 2015 Bonds will not be revised or withdrawn.

Capitalization of BAM.

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $466.5 million, $22.2 million and $444.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the 2015 Bonds or the advisability of investing in the 2015 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the caption "BOND INSURANCE."

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the 2015 Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the 2015 Bonds, and they assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2015 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2015 Bonds, whether at the initial offering or otherwise.

TAX BASE FOR REPAYMENT OF THE 2015 BONDS

The information in this section describes *ad valorem* property taxation, assessed valuation, and other measures of the tax base of the District. The 2015 Bonds are payable solely from *ad valorem* taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the 2015 Bonds.

Ad Valorem Property Taxation

The collection of property taxes is significant to the District and the owners of the 2015 Bonds in two respects. First, amounts allocated to the District from the general 1% *ad valorem* property tax levy, which is levied in accordance with Article XIIIA of the California Constitution and its implementing legislation, funds a portion of the District's budget which is used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS—General Fund Revenue Sources" below. Second, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the 2015 Bonds and the Prior General Obligation Bonds. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the 2015 Bonds and the Prior General Obligation Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

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

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10 percent attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer-Tax Collector of the county levying the tax.

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

District Assessed Valuation. Both the general 1% *ad valorem* property tax levy and the additional *ad valorem* levy for the 2015 Bonds and the Prior General Obligation Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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.

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 filed in the future will not significantly reduce the assessed valuation of property within the District.

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

Teeter Plan. Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has adopted the Teeter Plan, and consequently the Teeter Plan is available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore not subject to delinquencies so long as the Teeter Plan remains in effect. The District can give no assurance that the Teeter Plan will remain in effect, in its present form, during the term of the 2015 Bonds.

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 of the County receives a petition for its discontinuance joined in by a resolution adopted by at least 55% of the participating revenue districts in the County. In the event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan, 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.

Historical Data Concerning District Tax Base

The information provided in Tables 1 through 6 below has been provided by California Municipal Statistics, Inc., an independent consulting firm. The District has not independently verified this information and does not guarantee its accuracy.

Property within the District has a total assessed valuation for fiscal year 2014-15 of $21,245,293,290. Table 1 below provides the six-year history of assessed valuations in the District.

Table 1
RIVERSIDE UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS
Fiscal Year 2009-10 through 2014-15

	Local Secured	*Utility*	*Unsecured*	*Total*
2009-10	$19,017,654,847	$1,999,935	$965,607,868	$19,985,262,650
2010-11	18,412,164,052	2,022,568	920,301,958	19,334,488,578
2011-12	18,379,696,341	2,022,568	928,114,086	19,309,832,995
2012-13	18,363,907,720	1,489,719	978,813,194	19,344,210,633
2013-14	19,072,101,547	1,489,719	932,096,406	20,005,687,672
2014-15	20,278,429,984	1,463,612	965,399,694	21,245,293,290

Sources: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Table 2 below summarizes the annual secured tax levy within the District as of June 30 for fiscal years 2009-10 through 2013-14. The County has adopted the Teeter Plan. As a result, the District's receipt of property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect. See "TAX BASE FOR REPAYMENT OF THE 2015 BONDS—*Ad Valorem* Property Taxation—*Teeter Plan*."

Table 2
RIVERSIDE UNIFIED SCHOOL DISTRICT
Secured Tax Charges

	Secured Tax Charge[(1)]	*Amount Delinquent June 30*	*% Delinquent June 30*
2009-10	$ 9,959,361.46	$366,763.29	3.68%
2010-11	10,233,115.94	230,433.33	2.25
2011-12	10,250,653.87	171,348.71	1.67
2012-13	9,566,083.83	138,895.43	1.45
2013-14	9,968,453.95	133,155.92	1.34

(1) Debt service levy only.
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Tax Rates

There are a total of 169 tax rate areas in the District. Table 3 summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District for fiscal years 2009-10 through 2014-15 expressed as a percentage of the assessed value of the property upon which such taxes were levied.

Table 3
RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
Typical Total Tax Rates (TRA 09-002)[(1)]

	2009-10	***2010-11***	***2011-12***	***2012-13***	***2013-14***	***2014-15***
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
City of Riverside	.00577	.00575	.00571	.00572	.00673	.00626
Riverside Unified School District	.05354	.05670	.05698	.05307	.05307	.05307
Riverside Community College District	.01242	.01499	.01700	.01702	.01768	.01791
Metropolitan Water District	.00430	.00370	.00370	.00350	.00350	.00350
Total	1.07603	1.08114	1.08339	1.07931	1.08098	1.08074

(1) Fiscal year 2014-15 assessed valuation of TRA 09-002 is $5,394,436,182 which is 25.4% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Largest Taxpayers

Table 4 below lists the 20 largest local secured property taxpayers within the District measured by assessed valuation for fiscal year ending June 30, 2015.

Table 4
RIVERSIDE UNIFIED SCHOOL DISTRICT
Twenty Largest 2014-15 Local Secured Property Taxpayers

	Property Owner	*Primary Land Use*	*2014-15 Assessed Valuation*	*% of Total*[(1)]
1.	Tyler Mall LP	Regional Mall	$ 195,438,624	0.96%
2.	Riverside Healthcare System	Medical Facilities	132,447,947	0.65
3.	Cole ID Riverside CA	Industrial	93,753,717	0.46
4.	Northrop Drive Apartments	Apartments	76,255,314	0.38
5.	Vestar Riverside Plaza	Shopping Center	75,294,606	0.37
6.	Sterling Riverside 2	Apartments	52,909,462	0.26
7.	Riverside Clinic Inv IV Ltd.	Medical Facilities	45,964,934	0.23
8.	HSRE PEP Riverside	Apartments	45,621,006	0.22
9.	Prologis Targeted US Logistics Fund	Industrial	45,440,147	0.22
10.	Citrus Towers Inc.	Office Building	43,679,463	0.22
11.	Riverside Fair Isle Drive Apartments	Apartments	42,802,885	0.21
12.	Riverside Partners	Apartments	42,130,587	0.21
13.	Riverside Lochmoore Drive Apartments	Apartments	40,297,840	0.20
14.	University Village Towers	Apartments	39,058,924	0.19
15.	NNN Mission Square	Office Building	38,852,725	0.19
16.	Riverside Gateway Associates	Office Building	38,772,412	0.19
17.	3100 Van Buren Blv Apartments	Apartments	38,571,549	0.19
18.	Windemere at Sycamore Highlands	Apartments	33,674,893	0.17
19.	CC Apartments NF	Apartments	33,069,855	0.16
20.	Stone Canyon	Apartments	32,959,504	0.16
			$1,186,996,394	5.85%

(1) 2014-15 Local Secured Assessed Valuation: $20,278,429,984.
Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 5 describes the District's land use by type in fiscal year 2014-15, which reflects that 74.74% of total assessed valuations is for residential property and 25.26% for nonresidential property and vacant parcels.

Table 5
RIVERSIDE UNIFIED SCHOOL DISTRICT
2014-15 Assessed Valuation and Parcels by Land Use

	2014-15 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Agricultural/Rural	$ 238,278,291	1.18%	652	0.97%
Commercial/Industrial	4,639,008,426	22.88	3,415	5.09
Vacant Commercial/Industrial	163,088,798	0.80	765	1.14
Miscellaneous	15,846,310	0.08	147	0.22
Subtotal Non-Residential	$ 5,056,221,825	24.93%	4,979	7.42%
Residential:				
Single Family Residence	$12,718,635,245	62.72%	52,086	77.59%
Condominium/Townhouse	461,708,110	2.28	3,420	5.09
Mobile Home	42,515,469	0.21	909	1.35
2+ Residential Units/Apartments	1,798,905,433	8.87	2,231	3.32
Vacant Residential	135,158,597	0.67	1,822	2.71
Subtotal Residential	$15,156,922,854	74.74%	60,468	90.07%
Other Vacant	65,285,305	0.32	1,684	2.51
Total	$20,278,429,984	100.00%	67,131	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

THE DISTRICT

Introduction

The District is a unified school district encompassing an area of approximately 92 square miles and located in the northwestern portion of Riverside County approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District (which was founded in 1887) and the Riverside City High School District. The District serves approximately 42,000 students. The District operates twenty-nine elementary schools, seven middle schools, five high schools, two alternative high schools, one virtual school, one adult school, one special education preschool and one STEM Academy. The total enrollment in the District in fiscal year 2014-15 was approximately 42,024 students. The District's pupil/teacher ratio for fiscal year 2014-15 is approximately 24:1 for TK and K, between 25:1 and 27:1 for grade levels 1 through 3, 32:1 for grade levels 4 through 6, 29:1 for grade levels 7 and 8 and 30:1 for grade levels 9 through 12.

Board of Education

The District is governed by a five member Board of Education (the "Board"). Members are elected to four year terms.

Table 6
RIVERSIDE UNIFIED SCHOOL DISTRICT
Board of Education

Name	***Term Expires***
Kathy Y. Allavie, President	December 2017
Tom Hunt, Vice President	December 2015
Brent Lee, Clerk	December 2017
Gayle Cloud, Member	December 2015
Patricia Lock-Dawson, Member	December 2015

Source: The District.

Superintendent and Administrative Personnel

The Superintendent of the District, appointed by the Board of Education, is responsible for management of the day-to-day operations and supervises the work of other District administrators. The names and backgrounds of key District personnel are set forth below.

David Hansen, Ed.D., Superintendent. Dr. Hansen joined the District in July 2014 as Superintendent. Dr. Hansen holds a Bachelor of Science degree in industrial technology education from Brigham Young University; a Master's degree in educational administration from California State University, San Bernardino; and a Doctorate of Education (Ed.D.) focusing on educational leadership from the University of La Verne.

Michael H. Fine, Deputy Superintendent, Business Services and Government Relations. Mr. Fine joined the District in May, 2002 and is the Deputy Superintendent for Business Services & Governmental Relations. His areas of responsibility include fiscal services, risk management, purchasing, nutritional services, student transportation, maintenance and facilities, technology services, legislative/legal matters and governmental relations. Mr. Fine began his career in education in 1992 after working for ten years in the private industry. Mr. Fine holds a B.A. in Accounting and a Masters in Public Administration.

Employee Relations

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

The teachers of the District (certificated non-management personnel) are represented by the Riverside City Teachers Association. The District and the certificated personnel are currently operating under a contract that expires June 30, 2016. Salaries and benefits have been negotiated for the 2015-16 fiscal year and are expected to be presented to the Board for approval on June 1, 2015. As of June 30, 2014, the District employed 1,890 certificated non-management employees with a total estimated payroll of $160,773,930.

The California Association of School Employees is the exclusive bargaining agent for non-teaching (classified) personnel. The District and the classified employees are currently operating under a contract that expires on June 30, 2015. The parties are currently negotiating the terms of a new contract; however, they will continue to operate under the terms of the current contract until a new contract is agreed upon. Salaries and benefits have been finalized under the contract for fiscal year 2014-15. As of June 30, 2014, the District employed 1,561 classified employees with a total estimated payroll of $50,346,639.

Table 7 below sets forth the number of employees for each of the last five fiscal years.

Table 7
RIVERSIDE UNIFIED SCHOOL DISTRICT
Employees

Fiscal Year	***Total Number of Employees***
2009-10	6,144
2010-11	5,684
2011-12	5,517
2012-13	5,669
2013-14	5,793

Source: The District.

Retirement System

This section contains certain information relating to the Public Employees' Retirement System ("PERS") and the State Teachers' Retirement System ("STRS"). The information is primarily derived from information produced by PERS and STRS, their independent accountants and their actuaries. The District has not independently verified the information provided by PERS and STRS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS and STRS.

The comprehensive annual financial reports of PERS and STRS are available from PERS at P.O. Box 942703, Sacramento, California 94229-2703 and from STRS at P.O. Box 15275, Sacramento, California 95851-0275 and on their websites at www.calpers.ca.gov and www.calstrs.ca.gov, respectively. The PERS and STRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. 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.

STRS. All full-time certificated employees, as well as certain classified employees, are members of 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, unlike typical defined benefit programs, neither the employee, employer or State contribution rate 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 legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed A.B. 1469 ("A.B. 1469") in to law as a part of the 2014-15 State Budget. A.B. 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 on July 1, 2014, the employee contribution rates will increase over a three year phase in period in accordance with the schedule set forth in Table 8 below:

TABLE 8
MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: A.B. 1469.

Pursuant to A.B. 1469, K-14 school districts' contribution rate will increase over a seven year phase in period in accordance with the schedule set forth in Table 9 below:

TABLE 9
K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	*K-14 School Districts*[(1)]
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

(1) Percentage of eligible salary expenditures to be contributed.
Source: A.B. 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, A.B. 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 contribution to STRS was $12,996,937 in fiscal year 2011-12, $13,219,062 in fiscal year 2012-13, and $13,762,050 in fiscal year 2013-14. The District projects $18,040,486 as its contribution to STRS in fiscal year 2014-15.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. 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. Pursuant to A.B. 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. 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 PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the common investment and administrative agent for the member agencies. The State and 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 school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS 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. 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 year 2013-14. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was $7,865,173 in fiscal year 2011-12, $8,350,917 in fiscal year 2012-13 and $7,089,027 in fiscal year 2013-14. The District projects $7,071,283 as its contribution in fiscal year 2014-15.

State Pension Trusts. 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. Table 10 below summarizes information regarding the actuarially-determined accrued liability as calculated by 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.

TABLE 10
FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)[1]
Fiscal Years 2010-11 through 2012-13

STRS

FiscalYear	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[2][3]*	*Value of Trust Assets (AVA)[4]*	*Unfunded Liability (AVA)[4]*
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

PERS

FiscalYear	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[2]*	*Value of Trust Assets (AVA)[4]*	*Unfunded Liability (AVA)[4]*
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[5]	65,600	56,838	8,761	--[6]	--[6]

(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) On April 14, 2015, the PERS Finance & Administration Committee approved the K-14 school district contribution rate for fiscal year 2015-16 and released certain actuarial information to be incorporated into the June 30, 2014 actuarial valuation to be released in summer 2015.
(6) Figures not provided.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2014, the future revenue from contributions and appropriations for the STRS Defined Benefit Program is 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 of Administration (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%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

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 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 PERS Board has delayed the implementation of the new actuarial policies until fiscal year 2015-16 for the State, K-14 school districts and all other public agencies.

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 A.B. 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 Employee's 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 to 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 Governmental Accounting Standards Board ("GASB") approved two new standards ("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, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will 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.

Post-employment Benefits

At June 30, 2014, the District provided retiree health benefits to its employees based upon certain criteria. The four classes of employees receiving such benefits, as well as a description of the eligibility requirements, are set forth below:

Certificated Retirees. Upon attainment of age 57 and completion of 15 of the last 19 years of full-time District service and employment as a bargaining unit member prior to retirement, an employee may retire and remain covered under one of the medical plan options for retiree-only coverage at the District's expense until age 65. For bargaining unit members who retire before reaching the age of 57, the service requirement is 15 years of full-time service out of the last 19 years prior to retirement, and District-paid benefits will continue for a period not to exceed 8 years.

Management, Confidential and Cabinet Retirees. Upon attainment of age 50 (if covered under PERS) or age 55 (if covered under STRS) under one of the medical plan options for retiree-only coverage at the District's expense, benefits continue for the lesser of 8 years or until age 65, and the eligibility requirements are (1) retirement under PERS or STRS, (2) either (a) 15 years of service as a management or confidential employee in a California public agency, or (b) 15 years of service in the District in any combination of bargaining unit or management positions, and (3) 5 years of District service immediately prior to retirement.

Classified and Classified Supervisory Retirees. Unit members employed more than 20 hours per week retiring under PERS who are between 50 and 64 years of age shall receive a District-paid contribution of $2,774 per year towards retiree-only medical coverage, reduced for each year of service less than 20, to a minimum of $2,146 per year for 15 or fewer years of service. District-paid benefits continue for a maximum of 8 years. Unit members working less than full-time, but at least 20 hours per week, receive a pro-rated entitlement in proportion to the average daily hours worked during the member's final 3 years of service with the District.

As of June 30, 2014, there were 256 retirees and beneficiaries receiving post-employment benefits and 3,212 active plan members.

As of June 30, 2014, the District had a net obligation in respect of post-employment health care benefits of $15,646,137. See Note 12 to the fiscal year 2013-14 audited financial statements of the District, which are attached hereto as Appendix B.

Pursuant to the most recent valuation report (the "Valuation Report") provided to the District by an independent consultant, dated as of July 1, 2014, the actuarial liability for District-paid retiree benefits was approximately $77.2 million. This amount represents the present value of all benefits expected to be paid by the District for its current and future retirees based on certain assumptions set forth in the Valuation Report. According to the Valuation Report, because the District did not have a funded plan, its unfunded accrued liability (the "UAL"), which represents the unfunded present value of all benefits earned to date, as of July 1, 2012, was approximately $45.0 million. The District's annual required contribution, which is the amount required to be contributed to meet the cost of benefits accruing in the current year and to pay off the UAL in 30 years, was $5,307,320 for fiscal year 2014-15.

Insurance

The Property and Liability Program, for which the District retains risk of loss, is administered by the District's Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of Schools for Cooperative Insurance Program ("ASCIP"). Property claims in excess of $25,000 self-insured retention are covered up to $500,000,000 per occurrence through ASCIP. Liability claims in excess of $100,000 self-insured retention are covered up to $30,000,000 per occurrence through ASCIP. Liability claims in excess of $30,000,000 are covered up to $55,000,000 through Schools Excess Liability Fund ("SELF"). Workers' Compensation claims in excess of a $350,000 self-insured retention are covered up to $1,000,000 per occurrence through ASCIP. The relationship between the District and ASCIP and SELF is such that neither ASCIP nor SELF are a component unit of the District for financial reporting purposes. The District believes that its coverages are adequate for a school district of its size and for the nature of its operations. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

DISTRICT FINANCIAL MATTERS

Accounting Practices

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

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent of Schools (the "County Superintendent") within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

For both dual and single budgets submitted on July 1, the County Superintendent will (a) 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, (b) determine if the budget allows the district to meet its current obligations, and (c) determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district.

Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the County Superintendent's recommendations for revision and reasons for the recommendations. The County Superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the recommendations. The committee must report its findings no later than August 20. Any recommendations made by the County Superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

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

After approving the districts' budgets, the County Superintendent will monitor, throughout the fiscal year, each school district under his or her jurisdiction pursuant to its adopted budget to determine on a continuing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent must so notify the State Superintendent, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, also after consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

Pursuant to State law, the District adopted its fiscal year 2014-15 budget on June 17, 2014 (the "2014-15 Adopted Budget"), which set forth revenues and expenditures such that appropriations during fiscal year 2014-15 were not projected to exceed the sum of revenues plus the July 1, 2014 beginning fund balance. See "DISTRICT FINANCIAL MATTERS—Current Financial Condition" below. The 2014-15 Adopted Budget was approved by the County Superintendent.

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. Beginning in fiscal year 2013-14, school districts began being funded based on uniform funding grants assigned to certain grade spans. See "— Local Control Funding Formula."

Table 11 below reflects the District's historical ADA for fiscal years 2009-10 through 2013-14.

TABLE 11
RIVERSIDE UNIFIED SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE
Fiscal Years 2009-10 through 2013-14

Year	*Average Daily Attendance*[(1)]	*Annual Change in ADA by %*
2009-10	40,169	--
2010-11	40,308	0.3%
2011-12	40,212	(0.2)
2012-13	40,215	0.0
2013-14	40,386	0.4

(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Excludes ADA of District funded charter schools.
Source: The District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, establishes 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).

The primary component of AB 97 is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be 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 began being 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, the Base Grants began 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.

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 the grade span adjustment 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 grade span adjustment goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The District's fiscal year 2013-14 unduplicated pupil percentage of 66.37% qualifies for a concentration grant.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 12 below shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 and 2014-15.

TABLE 12
RIVERSIDE UNIFIED SCHOOL DISTRICT
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 and 2014-15

	Average Daily Attendance(1)					*Enrollment*	
Fiscal Year	***K-3***	***4-6***	***7-8***	***9-12***	***Total ADA***	***Total Enrollment***(2)	***% of EL/LI Enrollment***(2)
2013-14	12,022.59	9,003.55	6,406.89	12,953.32	40,386.35	42,038	66.37
2014-15	11,885.00	9,017.00	6,233.66	12,997.09	40,132.75	41,666	66.35

(1) Reflects P-2 ADA for fiscal year 2013-14. Because P-2 ADA for fiscal year 2014-15 will not be released until April 2015, Average Daily Attendance for fiscal year 2014-15 is based on District's estimate for such fiscal year.

(2) As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Enrollment for fiscal year 2014-15 is based on District's estimate for such fiscal year.

Source: The District.

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

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 comprise 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 Legislature to school districts.

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not 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 annually reflecting a three year plan beginning in fiscal year 2014-15. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP. The District's LCAP has been adopted and approved for fiscal year 2014-15.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

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

Other 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 Sources. The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, a small part of a school district's budget is from local sources other than property taxes, including but not limited to interest income, leases and rentals, educational foundations, donations and sales of property.

Historical General Fund Financial Information

Table 13 below summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2009-10 through 2013-14. The figures in Table 13 below are taken from the District's audited financial statements. See APPENDIX B—"DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS" for further detail on the District's financial condition as of June 30, 2014.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 13
RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance

	2009-10	*2010-11*	*2011-12*	*2012-13*	*2013-14*
Revenues:					
Revenue Limit Sources	$ 210,783,153	$ 211,766,787	$ 211,124,568	$ 212,210,264	$267,489,315
Federal Revenues	35,165,043	41,431,622	29,913,714	27,811,759	23,656,181
Other State Revenues	77,030,669	83,371,875	70,064,166	70,639,121	45,608,117
Other Local Revenues	6,093,462	5,509,165	8,205,612	8,840,776	8,064,252
Total Revenues	$ 329,072,327	$ 342,079,449	$ 319,308,060	$ 319,501,920	$344,817,865
Expenditures:					
Instruction	$ 223,010,446	$ 210,811,368	$ 204,293,727	$ 218,980,603	$214,117,944
Instruction-Related Services	39,259,830	36,659,251	35,296,406	37,649,946	37,342,959
Pupil Services	24,395,457	21,868,023	22,192,459	23,196,669	23,385,445
General Administration	13,850,763	12,613,259	13,558,105	14,764,900	15,842,340
Plant Services	31,489,495	30,653,099	31,519,394	33,748,027	34,470,945
Facility acquisition and construction	336,336	885,807	4,391,727	3,004,652	5,586,485
Ancillary Services	2,295,737	2,178,623	2,427,765	2,478,684	2,310,952
Community Services	75,373	67,411	43,261	54,311	63,042
Other Outgo	111,338	53,556	81,025	820,059	359,449
Total Expenditures	$ 334,824,775	$ 315,790,397	$ 313,803,869	$ 333,057,733	$332,760,663
Excess of (Deficiency) of Revenues Over (Under) Expenditures	$ (5,752,448)	$ 26,289,052	$ 5,504,191	$ (13,555,813)	$ 12,057,202
Other Financing Sources (Uses)					
Interfund Transfers in	$ 9,392,939	$ 752,634	$ 831,139	$ 6,498,199	$ 5,769,152
Interfund Transfers out	(5,185,750)	(7,846,033)	(8,288,531)	(2,530,880)	(11,157,630)
Total Other Financing Sources (Uses)	$ 4,207,189	$ (7,093,399)	$ (7,457,392)	$ 3,967,319	$ (5,388,478)
Net Change in Fund Balance	$ (1,545,259)	$ 19,195,653	$ (1,953,201)	$ (9,588,494)	$ 6,668,724
Fund Balance, July 1	72,561,171	71,015,912	90,211,565	88,258,364	78,669,870
Fund Balance, June 30	$ 71,015,912	$ 90,211,565	$ 88,258,364	$ 78,669,870	$ 85,338,594

Source: The District’s Audited Financial Statements for fiscal years 2009-10 through 2013-14.

Table 14 below sets forth the District's General Fund balance sheet for the 2009-10 through 2013-14 fiscal years.

Table 14
RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary of Combined General Fund Balance Sheet

	Audited 2009-10	*Audited 2010-11*	*Audited 2011-12*	*Audited 2012-13*	*Audited 2013-14*
Assets					
Cash and Cash Equivalents	$ 39,667,106	$ 44,901,795	$ 15,667,881	$ 41,228,787	$ 60,055,999
Accounts Receivable	50,834,115	66,002,457	83,907,848	43,463,365	29,353,374
Due from Other Funds	2,111,286	1,165,702	1,649,252	2,778,141	6,015,499
Stores Inventories	103,263	2,885	108,909	109,070	122,123
Prepaid Expenditures	0	0	0	43,726	51,428
Total Assets	$ 92,715,770	$ 112,072,839	$ 101,333,890	$ 87,623,089	$ 95,598,423
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$ 15,986,457	$ 15,383,417	$ 8,339,800	$ 5,444,935	$ 6,138,693
Due to Other Funds	2,630,215	4,364,846	4,496,764	3,408,043	3,129,832
Deferred Revenues	3,083,186	2,113,011	238,962	100,241	991,304
Total Liabilities	$ 21,699,858	$ 21,861,274	$ 13,075,526	$ 8,953,219	$ 10,259,829
Fund Balances[(1)]					
Revolving Cash/Stores Inventories	$ 253,263	N/A	N/A	N/A	N/A
Restricted Programs	9,428,150	N/A	N/A	N/A	N/A
Designated Amounts	61,334,499	N/A	N/A	N/A	N/A
Nonspendable Fund Balances	N/A	$ 152,885	$ 258,909	$ 302,796	$ 323,511
Restricted Fund Balances	N/A	9,426,205	13,185,947	13,841,655	23,173,455
Committed	N/A	0	0	0	26,709,935
Assigned Fund Balances	N/A	46,459,291	15,285,964	17,748,940	4,419,800
Unassigned Fund Balances	N/A	34,173,184	59,527,544	46,776,479	30,711,853
Total Fund Balances	$ 71,015,212	$ 90,211,565	$ 88,258,364	$ 78,669,870	$ 85,338,594
Total Liabilities and Fund Balances	$ 92,715,770	$ 112,072,839	$ 101,333,890	$ 87,623,089	$ 95,598,423

(1) In fiscal year 2010-11, the State implemented GASB 54 which introduced new fund classifications for the purpose of clarifying fund balance information. Table 14 shows the prior fund classifications for fiscal year 2009-10 and the GASB 54 fund classifications for each fiscal year thereafter.

Source: The District's Audited Financial Statements for fiscal years 2009-10 through 2013-14.

Table 15 below compares the District's General Fund Adopted Budget to its General Fund actual revenues and expenditures for fiscal year 2012-13 and its General Fund Adopted Budget to its General Fund actual revenues and expenditures for fiscal year 2013-14.

Table 15
RIVERSIDE UNIFIED SCHOOL DISTRICT
Comparison of General Fund Budgeted to General Fund Revenues and Expenditures for fiscal years 2012-13 and 2013-14

	2012-13		***2013-14***	
	Budget	***Audit***	***Budget***	***Audit***
Revenues				
Revenue Limit Sources	$212,210,264	$ 212,210,264	$ 264,097,185	$ 267,489,315
Federal	32,606,004	27,811,759	28,978,909	23,656,181
Other State	70,756,241	70,639,121	45,695,745	45,608,117
Other Local	9,102,186	8,840,776	8,192,386	8,064,252
Total Revenues	$324,674,695	$ 319,501,920	$ 346,964,225	$ 344,817,865
Expenditures				
Current:				
Certificated Salaries	169,880,466	167,128,827	173,858,374	166,584,424
Classified Salaries	44,986,766	46,342,139	49,449,242	47,962,492
Employee Benefits	65,689,163	62,395,500	60,009,721	58,268,478
Books and Supplies	25,068,833	16,311,554	29,761,988	17,367,210
Services and Other Operating Expenditures	41,265,491	37,151,040	44,246,857	36,515,307
Capital Outlay	4,308,860	3,633,956	6,522,995	6,422,201
Intergovernmental	70,000	94,717	(396,564)	(359,449)
Total Expenditures	351,269,579	333,057,733	363,452,613	332,760,663
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,594,884)	(13,555,813)	(16,488,388)	12,057,202
Other Financing Sources and Uses				
Interfund Transfers In	6,498,199	6,498,199	8,413,075	5,769,152
Interfund Transfers Out	(2,530,880)	(2,530,880)	(13,785,638)	(11,157,630)
Total Other Financing Sources and Uses	3,967,319	3,967,319	(5,372,563)	(5,388,478)
Net Change in Fund Balance	(22,627,565)	(9,588,494)	(21,860,951)	6,668,724
Fund Balances, July 1, 2012	88,258,364	88,258,364	78,669,870	78,669,870
Fund Balances, June 30, 2013	$ 65,630,799	$ 78,669,870	$ 56,808,919	$ 85,338,594

Source: The District's adopted budget for fiscal year 2012-13 and 2013-14, and Audited Financial Statements for fiscal years 2012-13 and 2013-14.

Current Financial Condition

The District's financial condition is closely linked to the finances of the State. Until fiscal year 2012-13, the State had experienced an ongoing structural budget deficit for several years. Although the State budget is balanced in the current fiscal year, future budget decisions by the State could have an adverse impact on the District's financial condition. See "STATE OF CALIFORNIA FISCAL ISSUES."

Table 16 below compares the District's Adopted General Fund Budget for fiscal year 2014-15 to its fiscal interim results for fiscal year 2014-15 for the period ending January 31, 2015.

Table 16
RIVERSIDE UNIFIED SCHOOL DISTRICT
Comparison of 2014-15 Adopted General Fund Budget to Second Interim Results for Fiscal Year 2014-15

	2014-15 Adopted Budget	*Second Interim Results for 2014-15*[(1)]	*Difference Between 2014-15 Budget and Second Interim Results*
SOURCES			
State Apportionment Sources	$ 307,443,252	$ 300,445,280	(2.3)%
Federal Revenues	21,835,950	30,058,228	37.7
Other State Revenues	37,789,987	41,481,908	9.8
Other Local Revenues	5,431,022	5,740,722	5.7
Total Revenues	$ 372,500,211	$ 377,726,138	1.4%
EXPENDITURES			
Certificated Salaries	$ 190,065,253	$ 190,510,005	0.2%
Classified Salaries	52,973,523	53,308,773	0.6
Employee Benefits	67,528,512	68,635,997	1.6
Books and Supplies	20,422,471	32,061,589	57.0
Services & Operating Expenditures	41,312,181	52,990,957	23.4
Capital Outlay	9,081,119	10,800,796	18.9
Direct Support/Indirect Costs/Other Outgo	(749,239)	(602,471)	(24.4)
Total Expenditures	$ 380,633,820	$ 407,705,645	7.1%
Excess of Revenues over (Under) Expenditures	$ (8,133,609)	$ (29,979,508)	
OTHER FINANCING SOURCES			
Operating Transfers In	$ 0	$ 0	
Operating Transfers Out	3,475,618	3,339,618	
Other	0	0	
Total Other sources (uses)	$ (3,475,618)	$ (3,339,618)	
Net Increase (Decrease) in Fund Balance	$ (11,609,227)	$ (33,319,126)	
Fund Balance (Deficit), July 1	$ 86,564,364	$ 85,338,594	
Fund Balance (Deficit), June 30	$ 74,955,137	$ 52,019,469	

(1) District's estimate as of January 31, 2015.
Source: The District's Annual Budget Report for fiscal year 2014-15, and Second Interim Report for fiscal year 2014-15.

In three of the past five fiscal years, the District's annual General Fund revenues have exceeded its annual General Fund expenditures with the District's ending fund balance increasing by approximately $14 million over that period. In its second interim report for fiscal year 2014-15, the District projects that its General Fund balance will decrease by approximately $33 million. This decrease is caused primarily by: (i) one-time increased expenditures resulting from certain expenditures carried over from fiscal year 2013-14 and capital expenditures for infrastructure and (ii) increased staffing costs over those which were budgeted. As shown in the table above, the District projects to end fiscal year 2014-15 with a General Fund balance of approximately $53 million. The District projects that its General Fund balance will decrease slightly thereafter to $47.8 million at June 30, 2017.

State law requires the District to maintain a reserve for economic uncertainty equal to at least 2% of General Fund expenditures and other financing uses. The District is also required to demonstrate that available reserves for each of the next two fiscal years will equal or exceed the required amount. As of January 31, 2015, the District projected available reserves of 5.54% in fiscal year 2014-15, 5.61% in fiscal year 2015-16 and 6.81% in fiscal year 2016-17. Under SB 858 (as defined below), the District's future reserves may be capped at 6% of annual expenditures in certain fiscal years. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2" and "STATE OF CALIFORNIA FISCAL ISSUES—2014-15 State Budget—*School Reserves*." As the reserve cap provisions of SB 858 are dependent upon State budget actions, the District cannot predict the fiscal years in which the cap may apply.

For several fiscal years prior to fiscal year 2013-14, the State deferred the payment of certain revenues due to school districts to the following fiscal year. In accordance with State accounting standards, the District applies an accrual method of accounting and, accordingly, Tables 15 through 18 do not reflect any deferral of revenues to future fiscal years. The District has not issued short-term notes to manage cash flow in the current fiscal year. See "DISTRICT DEBT STRUCTURE—Short-Term Debt" herein. The District does not anticipate needing to borrow additional funds on a short-term basis in order to have adequate cash on hand to meet expenditures in the current fiscal year, though the District may borrow from internal funds or from the County Treasurer on a short-term basis, if needed.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) state apportionment funding (this was funded from revenue limit sources through fiscal year 2012-13 and thereafter pursuant to the LCFF); (2) federal sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

State Apportionment Funding

The primary source of District funding prior to fiscal year 2013-14 came from the State in the form of base revenue limit funding per unit of ADA. In fiscal year 2013-14, state apportionment funding changed as a result of the LCFF. See "DISTRICT FINANCIAL MATTERS—State Funding of Education." For fiscal year 2013-14, the District received $267,489,315 under the LCFF, representing 77.6% of its actual General Fund revenues and for fiscal year 2014-15 projects receipt of $300,445,280, representing 79.5% of budgeted General Fund revenues.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, comprised approximately 6.7% of General Fund revenues in fiscal year 2013-14. Federal revenues are projected to be approximately 8.0% of General Fund revenues in fiscal year 2014-15.

Other State Sources

In addition to State apportionment funding discussed above, the District receives other State revenues ("Other State Revenues"). In fiscal year 2013-14, Other State Revenues equaled approximately 13.2% of total General Fund revenues and in fiscal year 2014-15, Other State Revenues are projected to equal approximately 11.0% of total General Fund revenues.

Other Local Sources

In addition to property taxes, the District receives additional local sources ("Other Local Revenues") from items such as the leasing of property owned by the District and interest earnings. These Other Local Revenues (including tuition and transfers) equaled approximately 2.3% of the total General Fund revenues in fiscal year 2013-14 and are projected at approximately 1.5% of General Fund revenues in fiscal year 2014-15.

Capital Projects Funds

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth. Separate and apart from the General Fund, the District also maintains a Building Fund to account for general obligation bond proceeds restricted to capital projects and a Special Reserve Fund for Capital Outlay to act as a reserve for Board of Education designated construction projects.

Collection of developer fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is $3.77 per square foot of habitable space on domestic housing developments. The current developer fee on commercial/industrial developments is $0.54 per square foot. As of June 30, 2014, a balance of $3,502,945 existed in the District's Capital Facilities Fund. Additionally, as of June 30, 2014, there was a balance of $22,358,512 in the Building Fund, $5,612,118 in the County School Facilities Fund and $13,659,715 in the Special Reserve Fund for Capital Outlay. The amounts in these funds are restricted to pay for capital improvements.

Table 17 below sets forth the District's developer fee collections for fiscal years 2009-10 through 2013-14.

Table 17
RIVERSIDE UNIFIED SCHOOL DISTRICT
Developer Fee Collections

Fiscal Year	*Developer Fees Collected*
2009-10	$1,701,666
2010-11	538,916
2011-12	368,602
2012-13	493,428
2013-14	1,017,222

Source: The District.

DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2014, the District had $182,608,842 of long-term debt outstanding. The District has not issued any additional general obligation bonds since that date.

A schedule of changes in long-term debt for the year ended June 30, 2014 is as follows:

Table 18
RIVERSIDE UNIFIED SCHOOL DISTRICT
Long-Term Debt

Governmental Activities	*Balance July 1, 2013*	*Increases*	*Decreases*	*Balance June 30, 2014*
Capital assets not being depreciated:				
Land	$ 36,524,876	$ -	$ -	$ 36,524,876
Construction in progress	11,415,969	8,181,810	14,611,178	4,986,601
Total capital assets not being depreciated	47,940,845	8,181,810	14,611,178	41,511,477
Capital assets being depreciated:				
Buildings and improvements	632,254,249	21,171,337	375,641	653,049,945
Furniture and equipment	16,142,271	-	-	16,142,271
Total capital assets being depreciated	648,396,520	21,171,337	375,641	669,192,216
Accumulated depreciation for:				
Buildings and improvements	(158,024,974)	(15,279,702)	(121,051)	(173,183,625)
Furniture and equipment	12,451,650)	(687,560)	-	(13,139,210)
Total accumulated depreciation	(170,476,624)	(15,967,262)	(121,051)	(186,322,835)
Total capital assets being depreciated, net	477,919,896	5,204,075	254,590	482,869,381
Governmental activity capital assets, net	$525,860,741	$ 13,385,885	$ 14,865,768	$ 524,380,858

Source: The District.

Additional information regarding the long-term debt and its scheduled repayment is set forth in Note 7 to the District's 2013-14 Audited Financial Statements attached as Appendix B hereto.

Short-Term Debt

As of June 30, 2014, the District did not have any short-term debt outstanding. The District does not expect to issue any Tax and Revenue Anticipation Notes in fiscal year 2014-15.

Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District is shown in Table 19 below. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement.

The information in the following table has been provided by California Municipal Statistics, Inc. The District has not verified this information and does not guarantee its accuracy.

Table 19
RIVERSIDE UNIFIED SCHOOL DISTRICT
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
As of May 1, 2015

2014-15 Assessed Valuation: $21,245,293,290

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/15
Metropolitan Water District	0.917%	$ 1,012,551
Riverside Community College District	25.405	57,694,075
Riverside Unified School District	**100.000**	**135,170,000**[1]
Riverside Unified School District Community Facilities Districts	100.000	112,410,000
City of Riverside	74.946	10,039,017
City of Riverside Community Facilities Districts	100.000	1,355,000
City of Riverside 1915 Act Bonds	100.000	16,265,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$333,945,643
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	9.410%	$ 61,239,981
Riverside County Pension Obligation Bonds	9.410	30,156,227
Riverside County Board of Education Certificates of Participation	9.410	172,674
Riverside Unified School District Certificates of Participation	**100.000**	**11,145,000**
City of Riverside General Fund Obligations	74.946	176,366,604
City of Riverside Pension Obligation Bonds	74.946	86,768,732
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$365,849,218
Less: Riverside County supported obligations		794,040
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$365,055,178
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$212,560,389
GROSS COMBINED TOTAL DEBT		$912,355,250[2]
NET COMBINED TOTAL DEBT		$911,561,210

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($135,170,000).. 0.64%
Total Direct and Overlapping Tax and Assessment Debt. 1.57%
Combined Direct Debt ($146,315,000) 0.69%
Gross Combined Total Debt 4.29%
Net Combined Total Debt.. 4.29%

Ratios to Redevelopment Incremental Valuation ($4,000,124,911):
Total Overlapping Tax Increment Debt........................... 5.31%

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the 2015 Bonds are payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "SECURITY FOR THE 2015 BONDS" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 22, 39, 46, 98, 111 and 1A 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 District to levy taxes and 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 District to levy taxes for payment of the 2015 Bonds. The tax levied by the County for payment of the 2015 Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government’s option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college (“K-14”) districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State’s allowable limit. The District does not currently have and does not anticipate having “proceeds of taxes” in excess of its appropriations limit.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either “general taxes” (imposed for general governmental purposes) or “special taxes” (imposed for specific purposes); prohibits special purpose government agencies, including 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. Proposition 218 also provides that no tax maybe assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer and Tax Collector to levy a property tax sufficient to pay debt service on the 2015 Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* taxes pledged to repay general obligation bonds. See "DISTRICT FINANCIAL MATTERS—General Fund Revenue Sources." In the case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision"), the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIIIC. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to make payments with respect to the 2015 Bonds.

The provisions of Article XIIIC and XIIID 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.

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

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt from the one percent *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55 percent of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed to review the use of the bond funds and inform the public about their proper usage.

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In certain fiscal years, the State Legislature and the Governor have utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of State General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, some fiscal observers expect Proposition 98 to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

Proposition 1A and Proposition 22

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

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

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 longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30" and the Governor's Tax Initiative), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

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

Proposition 2

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

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

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

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

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

Jarvis v. Connell

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, and Propositions 22, 26, 30, 39, 46, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the California electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of amounts legally available to the District.

STATE OF CALIFORNIA FISCAL ISSUES

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.

General Overview

Recent Financial Stress on State Budget. In 2008, the State began experiencing the most significant economic downturn and financial pressure since the Great Depression of the 1930s. Despite the recent significant budgetary improvements, there remain a number of major risks and pressures that threaten the State's financial condition, including the need to repay approximately $5.0 billion of obligations which were deferred to balance budgets during the economic downturn and large unfunded liabilities now totaling approximately $222 billion for PERS, STRS and the State's retiree healthcare benefits plan. In addition, the State's revenues (particularly the personal income tax) can be volatile and correlate to overall economic conditions. There can be no assurances that the State will not face fiscal stress and cash pressures again, or that other changes in the State or national economies will not materially adversely affect the financial condition of the State. See "—2014-15 State Budget."

Cash Management by State and Impact on Schools. To conserve cash in light of declining revenues, the State has enacted several statutes deferring the payment of amounts owed to public schools, until a later date in the current, or in a subsequent, fiscal year. This technique had been used in all of the State's budget bills from fiscal year 2008-2009 through fiscal year 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. These deferrals reduced amounts paid to K-12 districts and resulted in deferred payments that at one point totaled more than $10 billion. These deferrals also created cash flow shortages for certain K-12 districts which required an increased level of cash flow borrowings. The 2014-15 Budget repays approximately $4.7 billion in such deferrals and the Governor proposes to repay the remaining $1.0 billion of deferrals in fiscal year 2015-16. See "—2014-15 State Budget" and "—Governor's Proposed 2015-16 Budget."

2014-15 State Budget

On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget.

The 2014-15 Budget adopts revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects revised total State general fund revenues of $102.2 billion, and total State general fund expenditures of $100.7 billion. The 2014-15 Budget now projects a fiscal year 2013-14 general fund surplus of $2.9 billion. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of $109.4 billion and expenditures of $108 billion. The 2014-15 Budget also projects a fiscal year 2014-15 State general fund surplus of approximately $2.1 billion. This amount is a combination of $449 million in the traditional general fund reserve, and an authorized deposit of $1.6 billion into the BSA established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2014-15 Budget, a legislatively-referred constitutional amendment (Proposition 2) was placed on the ballot, and ultimately approved by the voters at the November 4, 2014 statewide election. Among other things, Proposition 2 will create a reserve account that is expected to smooth spikes in education funding. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2."

The 2014-15 Budget includes total funding of $76.6 billion (comprised of $45.3 billion from the State general fund and $31.3 billion from other funds) for all K-12 education programs. For fiscal year 2014-15, the Proposition 98 minimum funding guarantee is set at $60.9 billion, an increase of $5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with funding increases of $4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides $10 billion of additional funding for K-14 education. The 2014-15 Budget projects that Proposition 98 funding for K-12 education will grow by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *Teacher Pensions* – The 2014-15 Budget includes a plan to reduce the $74.4 billion unfunded CalSTRS liability in approximately 30 years by increasing contribution rates among the State, school districts, community college districts and participating employees. Under the plan, (i) teacher contributions will increase from 8% to a total of 10.25% of pay, phased in over the next three years; (ii) school district and community college district contributions will increase from 8.25% to 19.1% of payroll, phased in over the next seven years; and (iii) the State contributions will increase from approximately 3% to 6.3% of payroll, phased in over the next three years. The State will also continue to pay 2.5% of payroll annually for a supplemental inflation protection program, for a total contribution of 8.8% of payroll in fiscal year 2016-17 and ongoing. For fiscal year 2014-15, these increases are expected to result in $276 million of additional contributions from all three entities. The plan also provides the CalSTRS board with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary.

- *Local Control Funding Formula* – An increase of $4.75 billion in Proposition 98 funding to continue the transition to the LCFF. This increase is projected to close the funding implementation gap between fiscal year 2013-14 funding levels and the LCFF target funding levels by more than 29%. The 2014-15 Budget also addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced price meals. See also "DISTRICT FINANCIAL MATTERS – State Funding of Education – Local Control Funding Formula" herein.

- *School Reserves* – Senate Bill 858 (Stats. 2014, Chapter 32) ("SB 858"), trailer legislation to the 2014-15 Budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 would require school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS —Proposition 2." Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.

- *K-12 Deferrals* – The 2014-15 provides $4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the recession, leaving an outstanding balance of less than $900 million in K-12 deferrals at the end of fiscal year 2014-15. The 2014-15 Budget also includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 Budget in order to retire the remaining deferral balance.

- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- *K-12 Mandates* – An increase of $400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.

- *K-12 High- Speed Internet Access* – An increase of $26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.

- *Career Technical Education Pathways Program* – An increase of $250 million in one-time Proposition 98 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance ("DOF") website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

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

Governor's Proposed 2015-16 Budget

On January 9, 2015, the Governor released his proposed State budget for fiscal year 2015-16 (the "Proposed Budget"). The following information is taken from the LAO's overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for fiscal year 2014-15, total general fund revenues and transfers of $108 billion and authorizes total expenditures of $111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of $2.1 billion, comprised of a balance of $452 million in the State's traditional budget reserve and a balance of $1.6 billion in the BSA. For fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of $113.4 billion and authorizes expenditures of $113.3 billion. The State is projected to end the 2015-16 fiscal year with a $3.4 billion general fund surplus, comprised of a $534 million balance in the budget reserve and $2.8 billion in the BSA. The balance in the BSA includes a $1.2 billion deposit mandated by the provisions of Proposition 2. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2." This $1.2 billion deposit to the BSA reflects half of the total Annual BSA Transfer and Supplemental BSA Transfer required by Proposition 2, and the Proposed Budget allocates the other $1.2 billion towards paying down special fund loans and certain Proposition 98 "settle up" obligations created by previous budgetary legislation that understated the minimum funding guarantee. Under the Proposed Budget, outstanding Proposition 98 "settle up" obligations at the end of fiscal year 2015-16 total $1.3 billion.

As a result projected increases to State general fund revenues, as well as certain revisions to student attendance, the Proposed Budget includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum funding guarantee is revised upward to $58.7 billion, an increase $371 million from the estimate included in the 2014-15 Budget. For fiscal year 2014-15, the minimum funding guarantee is revised at $63.2 billion, approximately $2.3 billion higher than that included in the 2014-15 Budget.

For fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at $65.7 billion, including $47 billion from the State general fund, and reflects an increase of $2.6 billion (or 4%) from the revised level for fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only $371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor's assumption that the "triple flip" legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset. For purposes of Proposition 98, fiscal year 2015-16 is a "Test 2" year, and changes in the minimum guarantee are driven primarily by an increase in per-capita personal income. Under the Proposed Budget, total per-student Proposition 98 funding increases to $9,571, an increase of $640 (or 7.2%) from the prior year.

Significant features of the Proposed Budget with respect to K-12 education include the following:

- *Maintenance Factor* – The Proposed Budget authorizes a maintenance factor payment of $725 million owed to school districts and community college districts, leaving an outstanding maintenance factor of $1.9 billion.

- *Local Control Funding Formula* – An additional $4 billion to school districts and charter schools to continue the implementation of the LCFF, reflecting a year-to-year increase of 9%. This amount is estimated to close approximately 32% of the remaining funding gap between fiscal year 2014-15 funding levels and the LCFF target rates. Under the Proposed Budget, the LAO estimates that the LCFF target rates will be approximately 85% funded. The Proposed Budget also provides $109,000 of Proposition 98 funds to support a cost of living adjustment for county offices of education at their target LCFF funding levels.

- *Apportionment Deferrals* –$897 million to eliminate all outstanding K-12 apportionment deferrals.

- *Categorical Programs* – An increase of $71 million to support a 1.58% COLA for selected categorical programs outside of the LCFF.

- *Adult Education* – $500 million in ongoing funding for adult education. This proposal would build on prior budgetary legislation which mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders for delivery of adult education services. Under the Proposed Budget, the ongoing funding would support programs in elementary and secondary basic skills, citizenship and English as a second language for immigrants, educational programs for disabled adults, short-term career technical education (CTE) and apprenticeship programs. For fiscal year 2015-16 only, these funds would replace, on a dollar-for-dollar basis, LCFF funds currently allocated to school district-run adult education programs in these five areas.

- *Career Technical Education* – $250 million in funding in each of the next three fiscal years to fund a competitive grant initiative that supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. Participating school districts, county offices of education and charter schools would be required to match grant contributions dollar-for-dollar, collect accountability data and commit to providing ongoing support to CTE programs after the expiration of grant funding. Applicants would also be expected to partner with local postsecondary institutions, labor organizations and businesses in applying for the grant funds. The Proposed Budget also includes $48 million to extend the Career Technical Education Pathways Grant Program, created as part of the fiscal year 2013-14 State budgetary legislation. The primary purpose of the program is to improve linkages between CTE programs and schools and community colleges, as well as between K-14 education and local businesses. The California Department of Education and the California Community Colleges Chancellor's Office jointly administer the program and allocate funding through an interagency agreement.

- *Technology Infrastructure* – $100 million in one-time funding to support additional broadband infrastructure improvement grants, and builds on prior funding provided in the 2014-15 Budget for such grants.

- *Emergency Repair Program* – An increase of $273.4 million in one-time Proposition 98 funding for the State Emergency Repair Program, a program designed to repair critical projects at low-performing schools. This additional payment is expected to full retire the State's ERP obligation.

- *Education Mandates* –$1.1 billion to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis.

For additional information regarding the Proposed Budget, see the DOF's 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.

May Revision

On May 14, 2015, the Governor released his May revision (the "May Revision") to the Proposed Budget. The following information is drawn from the Department of Finance's summary of Proposed Budget.

The May Revision continues to project the expansion of the State and national economies, as well as an overall increase of $6.7 billion to State general fund revenues attributable primarily to higher capital gains tax collections. The May Revision allocates only a small portion of these additional revenues to new spending areas, and instead allocates the bulk towards education funding, an additional deposit to the BSA of $633 million, and additional payments towards outstanding State special fund loans.

After accounting for transfers to the BSA, the May Revision projects year-end general fund revenues for fiscal year 2014-15 to be $111.3 billion, approximately $3.3 billion higher than projected in the Proposed Budget. State general fund expenditures are also expected to increase by approximately $2.8 billion, for a year-end total of $114.5 billion. The May Revision projects that the State will end fiscal year 2014-15 with a $3 billion surplus, composed of a $1.4 billion balance in the general fund reserve and a $1.6 billion balance in the BSA. For fiscal year 2015-16, the May Revision projects State general fund revenues of $115 billion, approximately $1.7 billion higher than previously projected. The May Revision would authorize State general fund expenditures of $115.3 billion, an increase of $2 billion from that in the Proposed Budget. The State is projected to end fiscal year 2015-16 with a $4.6 billion general fund surplus, composed of a $1.1 billion balance in the general fund reserve and $3.5 billion in the BSA.

The May Revision includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The fiscal year 2013-14 minimum funding guarantee is set at $58.9 billion, an increase of $241 million above the revised level included the Proposed Budget. The fiscal year 2014-15 minimum funding guarantee is set at $66.3 billion, an increase of $3.1 billion from the revised level included in the Proposed Budget.

For fiscal year 2015-16, the May Revision revises the Proposition 98 minimum funding guarantee at $68.4 billion, an increase of approximately $2.7 billion from the level included in the Proposed Budget. Significant adjustments made to education funding in the May Revision include the following:

- *LCFF* – An additional $2.1 billion in funding above that provided in the Proposed Budget to continue implementation of the LCFF, for a total of $6.1 billion. The May Revision estimates that this would close approximately 53% of the remaining funding gap.

- *Career Technical Education* – An additional $150 million in fiscal year 2015-16 for the competitive grant initiative the supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. The May Revision also provides additional funding of $50 million for this initiative in fiscal year 2016-17, and reduces the amount provided in the Proposed Budget for fiscal year 2017-18 by a like amount.

- *Quality Education Investment Act* – An increase of $4.6 million in one-time Proposition 98 funding to provide half of the final apportionment of QEIA funding for selected school districts in fiscal year 2015-16 that do not qualify for concentration grant funding under the LCFF. The funding is intended to ease the transition for those districts with concentrations of EL/LI students that will no longer receive funds under the QEIA.

- *Local Property Tax Adjustments* – Total Proposition 98 funding levels for school districts, special education local plan areas and county offices of education in fiscal years 2014-15 and 2015-16 would reflect reductions to State support equal to $123.3 million and $224 million, respectively, reflecting higher offsetting property tax collections.

- *Proposition 39* – A decrease in the amount of funds available under Proposition 39 to K-12 school districts by $6.7 million, reflecting reduced State corporate tax revenue estimates.

- *Categorical Programs* – A reduction of $18.4 million in Proposition 98 funding for selected categorical programs, based on updated ADA growth estimates. The May Revision also decreases Proposition 98 funding by $22.1 million for selected categorical programs, to reflect a change in the COLA for such programs from 1.58% (as provided in the Proposed Budget) to 1.02%.

- *K-12 Education Mandates* – An increase of $1.2 million in Proposition 98 funding to reflect greater school district participation in the education mandates block grant program.

- *Special Education* – The May Revision proposes $60.1 million of Proposition 98 funding (composed of $50.1 million of ongoing funding and $10 million of one-time funds) to implement selected programmatic changes in special education services. The changes are intended to implement recommendations issued by a State taskforce formed in 2013, as well as to make targeted investments designed to improve the delivery of services for disabled students.

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

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT SOURCES AND EXPENDITURES – Proposition 1A and Proposition 22." 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 Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values and pursuant to statutory [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 State apportionments may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Litigation Challenging Method of School Financing

In *Robles-Wong, et al. v. State of California* (Alameda County Superior Court, Case No. RG-10-515768), plaintiffs challenge the state's "education finance system" as unconstitutional. Plaintiffs, consisting of 62 minor school children, various school districts (including the District), the California Association of School Administrators and the California School Boards Association, allege the state has not adequately fulfilled its constitutional obligation to support its public schools, and seek an order enjoining the state from continuing to operate and rely on the current financing system and to develop a new education system that meets constitutional standards as declared by the court. In a related matter, *Campaign for Quality Education et al. ("CQE") v. State of California* (Alameda County Superior Court, Case No. RG-10-524770), plaintiffs also challenge the constitutionality of the State's education finance system. The court issued a ruling that there was no constitutional right to a particular level of school funding. The court allowed plaintiffs to amend their complaint with respect to alleged violation of plaintiffs' right to equal protection. Both of these cases were dismissed by the trial court and the plaintiffs have appealed the rulings.

The District cannot predict the outcome of this litigation or its possible impact on the District's financial condition.

LEGAL MATTERS

Tax Matters

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2015 Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2015 Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the 2015 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel further notes, however, that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2015 Bonds is based upon certain representations of fact and certifications made by the District, the Purchaser and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2015 Bonds to assure that interest on the 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Bonds. The District has covenanted to comply with all such requirements.

Should the interest on the 2015 Bonds become includable in gross income for federal income tax purposes, the 2015 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 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 2015 Bond Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals arise from time to time which would limit the exclusion from gross income of interest on obligations like the 2015 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates or that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2015 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Bonds. Prospective purchasers of the 2015 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2015 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a 2015 Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the 2015 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2015 Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the 2015 Bonds is excluded from gross income for federal income tax purposes provided the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the 2015 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2015 Bonds.

A copy of the proposed form of opinion of Bond Counsel for the 2015 Bonds is attached in Appendix A.

Legality for Investment in California

Under provisions of the California Financial Code, the 2015 Bonds are legal investments for commercial banks in California to the extent that the 2015 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in the State.

No Litigation

No litigation is pending or threatened concerning the validity of the 2015 Bonds, and a certificate to that effect will be furnished by the District at the time of the original delivery of the 2015 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* taxes or to collect other revenues or contesting the District's ability to issue and retire the 2015 Bonds.

In the opinion of the District, there are no claims or lawsuits pending against the District that will materially adversely affect the finances of the District.

Verification

Upon delivery of the 2015 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the District or its consultants relating to (a) the adequacy of the amounts in the Escrow Fund to pay the redemption price and premium of, and interest on, the Refunded Bonds and (b) the computations of yield of the 2015 Bonds and investments, if any, in the Escrow Fund which support Bond Counsel's opinion that the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate delivered by the District in connection with the Bonds (the "Continuing Disclosure Certificate"), the District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at *www.emma.msrb.org* certain annual financial information and operating data concerning the District. The Annual Report to be filed by the District will include audited financial statements of the District and additional financial and operating data concerning the District as set forth in Section 4 of the Continuing Disclosure Certificate attached as Appendix C.

The Continuing Disclosure Certificate will inure solely to the benefit of any Dissemination Agent, the Purchaser and owners or beneficial owners from time to time of the Bonds. The sole remedy following a default of the District's obligation under the Continuing Disclosure Certificate is an action to compel specific performance by the District with the terms thereof.

The Continuing Disclosure Certificate provides that any required filing may be made through a central depository approved by the Securities and Exchange Commission.

During the last five years, the District has failed to comply in certain respects with continuing disclosure obligations related to its outstanding indebtedness and certain of its related entities, including certain community facilities districts. Such failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the District or its related entities; and (ii) missing or late filing of annual reports with respect to a number of the bond issues. In many cases with respect to audited comprehensive annual financial statements, budgetary information and interim financial reports, such information and reports were available on the District's website and/or available in other continuing disclosure filings made by the District. Identification of the herein described events does not constitute a representation by the District that the late, missed or incomplete filings were material.

For example, such failures included the following:

Debt Obligation	***Fiscal Year(s) Ended June 30***	***Filing Deficiency***
Riverside Unified School District Election of 2001 General Obligation Bonds, Series B	2010 through 2013	Late Filings of First Interim Reports, submitted January 8, 2015
	2011 through 2013	Late Filings of Adopted Budgets, submitted January 8, 2015
	2011	Late Filing of Annual Report and Audited Financial Statements, submitted January 8, 2015
	2012	Late Filing (approximately 11 days) of Audited Financial Statements
	2013	Late Filing of Audited Financial Statements, submitted January 8, 2015
Riverside Unified School District Election of 2001 General Obligation Bonds, Series C	2010 through 2013	Late Filings of First Interim Reports, submitted January 8, 2015
	2011 through 2013	Late Filings of Adopted Budgets, submitted January 8, 2015
	2011	Late Filing of Annual Report and Audited Financial Statements, submitted January 8, 2015
	2012	Late Filing (approximately 11 days) of Audited Financial Statements
	2013	Late Filing of Audited Financial Statements, submitted January 8, 2015
Riverside Unified School District General Obligation Refunding Bonds, Series 2011	2012 through 2013	Late Filings of First Interim Reports, submitted January 8, 2015
	2012 through 2013	Late Filings of Adopted Budgets, submitted January 8, 2015
	2012	Late Filing (approximately 11 days) of Audited Financial Statements
	2013	Late Filing of Audited Financial Statements, submitted January 8, 2015
Riverside Unified School District Refunding Certificates of Participation Series A of 2001	2010 through 2012	Late Filing (2010 - approximately 42 days and 2011 – approximately 56 days) of Audited Financial Statements and Late Filing of Unaudited Actuals (2012 – approximately 9 days)
	2012, 2013 and 2014	2012, 2013 and 2014 Audited Financial Statements submitted January 8, 2015
Community Facilities District No. 9 of Riverside Unified School District 2001 Special Tax Bonds, Series A (Improvement Area Nos. 1, 3 & 5)	2010 and 2011	Late Filing (72 days and 86 days) of Audited Financial Statements
Community Facilities District No. 9 of Riverside Unified School District 2001 Special Tax Bonds, Series B (Improvement Area No. 4)	2010 and 2011	Late Filing (72 days and 86 days) of Audited Financial Statements

Debt Obligation	***Fiscal Year(s) Ended June 30***	***Filing Deficiency***
Community Facilities District No. 9 of Riverside Unified School District 2002 Special Tax Bonds, Series C (Improvement Area No. 2)	2010	Unaudited Financial Statements submitted Late filing of Audited Financial Statements
	2011	Late filing of Audited Financial Statements
Community Facilities District No. 12 (Bridle Creek) of Riverside Unified School District 2004 Special Tax Bonds, Series A	2010	Late filing of Audited Financial Statements
Community Facilities District No. 26 of Riverside Unified School District Special Tax Bonds, 2008 Series A	March 10, 2010, August 10, 2010 and August 10, 2012	Late Filing (approximately 71 days, approximately 2 days and approximately 18 days) of Semi-Annual Reports
Community Facilities District No. 12 (Bridle Creek) of Riverside Unified School District Special Tax Bonds, 2009 Series A	March 10, 2010 and August 10, 2010	Late Filing (approximately 71 days and approximately 6 days) of Semi-Annual Reports
Community Facilities District No. 15 (Mission Ranch) of Riverside Unified School District Special Tax Bonds, 2009 Series A (Improvement Area No. 3)	March 10, 2010 and August 10, 2010	Late Filing (approximately 71 days and approximately 2 days) of Semi-Annual Reports
Community Facilities District No. 15 of Riverside Unified School District (Improvement Area No. 3) Special Tax Bonds, 2013 Series C	2013	Late Filing (3 days) of Annual Report and Audited Financial Statements

The District and its related entities have internally reviewed their previous filings and have made additional filings to provide certain of the previously omitted information. With respect to notices or rating changes, the District and its related entities prepared and filed respective corrective notices regarding bond insurer ratings and underlying ratings of the District's outstanding general obligation bonds and certificates of participation and Community Facilities District No. 7 (Victoria Grove) of the Riverside Unified School District's outstanding 2006 Special Tax Refunding Bonds.

The District is in the process of reviewing its continuing disclosure compliance procedures and expects to institute new procedures to ensure future compliance and coordination between the District and its related entities.

MISCELLANEOUS

Ratings

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a rating of "AA" to the 2015 Bonds with the understanding that the Policy will be issued by the Insurer upon delivery of the 2015 Bonds. See "BOND INSURANCE." In addition, S&P and Moody's Investor's Service, Inc. ("Moody's") have assigned their underlying municipal bond ratings of "A+" and "Aa2", respectively, to the 2015 Bonds without giving effect to the Policy. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from Moody's and S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the ratings for the 2015 Bonds will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2015 Bonds.

Underwriting

The 2015 Bonds were sold by competitive bid on June 4, 2015 to Stifel, Nicolaus & Company, Incorporated (the "Purchaser") as the successful bidder, in accordance with the Notice of Sale. The Purchaser has agreed to purchase the 2015 Bonds at the initial purchase price of $52,824,408.40 (being equal to the aggregate principal amount of the 2015 Bonds, plus a net original issue premium of $4,459,461.20, and less a Purchaser's discount of $445,052.80). The Notice of Sale provides that the Purchaser will purchase all of the 2015 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Notice of Sale. The Purchaser may offer and sell the 2015 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Purchaser.

Audited Financial Statements

The District's audited financial statements for fiscal year 2013-14 included in this Official Statement have been audited by Nigro & Nigro, PC, Murrieta, California (the "Auditor"), independent auditors. Attention is called to the scope limitation described in the Auditor's report accompanying the financial statements. The Auditor has not been requested to consent to the inclusion of its report in this Official Statement. The Auditor has not undertaken to update the audited financial statements for fiscal year 2013-14 or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 1, 2014. See Appendix B—"DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS" herein.

Financial Interests

The fees being paid to the Purchaser, Bond Counsel, Disclosure Counsel, the District's Financial Advisor and the Verification Agent are contingent upon the issuance and delivery of the 2015 Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the 2015 Bonds. Quotations from and summaries and explanations of the 2015 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any 2015 Bond Owner may obtain copies of District reports, including audits and budgets, as available, from the District at 3380 14th Street, Riverside, California 92501. The District may impose a charge for copying, mailing and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the 2015 Bonds.

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: /s/ David C. Hansen
Superintendent

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE 2015 BONDS

[Closing Date]

Riverside Unified School District
Board of Education
3380 14th Street
Riverside, California 92501

Re: $48,810,000 Riverside Unified School District (Riverside County, California) General Obligation Refunding Bonds, Series 2015

1. Ladies and Gentlemen:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $48,810,000 Riverside Unified School District General Obligation Refunding Bonds, Series 2015 (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and certifications demonstrate lawful authority for the issuance and sale of the Bonds pursuant to Article 9 (commencing with Section 53550) and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, and a resolution of the Board of Education of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of the levy of ad valorem taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

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

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

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

Respectfully submitted,

APPENDIX B

DISTRICT'S FISCAL YEAR 2013-14 AUDITED FINANCIAL STATEMENTS

RIVERSIDE UNIFIED
SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2014

RIVERSIDE UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2014
Table of Contents

FINANCIAL SECTION

Page

Independent Auditors' Report 1
Management's Discussion and Analysis 3
Basic Financial Statements:
  Government-wide Financial Statements:
    Statement of Net Position 12
    Statement of Activities 13
  Governmental Funds Financial Statements:
    Balance Sheet 14
    Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 15
    Statement of Revenues, Expenditures, and Changes in Fund Balances 16
    Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 17
  Proprietary Fund Financial Statements:
    Statement of Net Position 18
    Statement of Revenues, Expenses, and Changes in Fund Net Position 19
    Statement of Cash Flows 20
  Fiduciary Fund Financial Statements:
    Statement of Fiduciary Net Position 21
    Statement of Changes in Fiduciary Net Position 22
Notes to Financial Statements 23

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund 47
Schedule of Funding Progress 48
Notes to the Required Supplementary Information 49

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure 50
Schedule of Average Daily Attendance 51
Schedule of Instructional Time 52
Schedule of Financial Trends and Analysis 53
Schedule of Expenditures of Federal Awards 54
Schedule of Charter Schools 55
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 56
Combining Statements – Non-Major Funds:
  Balance Sheet 57
  Statement of Revenues, Expenditures, and Changes in Fund Balance 58
Note to the Supplementary Information 59

OTHER INDEPENDENT AUDITORS' REPORTS

Page

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards 60
Independent Auditors' Report on State Compliance 62
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance 64

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:
- Summary of Auditors' Results 66
- Current Year Audit Findings and Questioned Costs 67
- Summary Schedule of Prior Audit Findings 70

Financial Section

(This page intentionally left blank)

NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Education
Riverside Unified School District
Riverside, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Unified School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (510) 588-8832 • F: (510) 588-8701

www.nncpas.com • Licensed by the California Board of Accountancy

Emphasis of Matter
As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in a $437,530 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 47 and schedule of funding progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 1, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC

Murrieta, California
December 1, 2014

This discussion and analysis of Riverside Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities increased by approximately $9.5 million, or 1.8%.
- Governmental expenses were about $378.9 million. Revenues were $388.4 million.
- The District spent over $15.0 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by $1.4 million.
- Grades K-12 average daily attendance (ADA) increased by 217, or 0.54%.

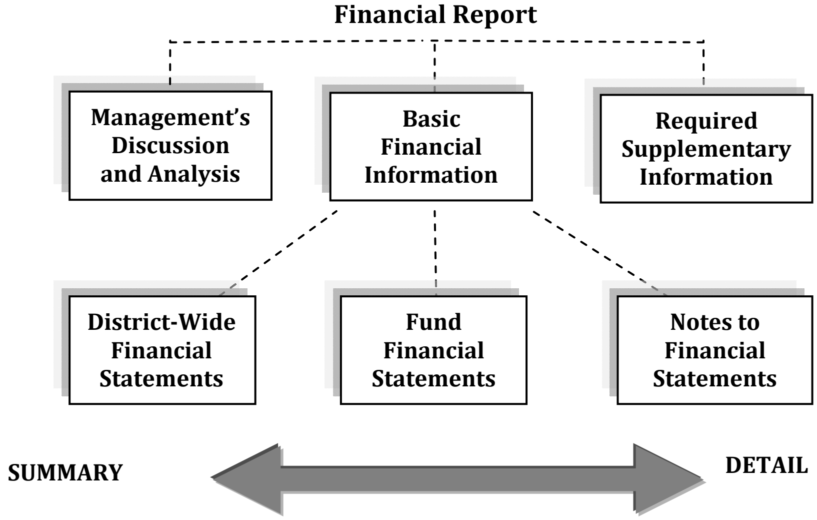
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements.*
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Riverside Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims and liability and property losses.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2014, than it was the year before – increasing 1.8% to $537.8 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase
	2014	2013*	(Decrease)
Current assets	$ 210.5	$ 198.9	$ 11.6
Capital assets	524.4	525.9	(1.5)
Total assets	734.9	724.8	10.1
Total deferred outflows	1.4	1.5	(0.1)
Current liabilities	15.9	14.0	1.9
Long-term liabilities	182.6	184.0	(1.4)
Total liabilities	198.5	198.0	0.5
Net position			
Net investment in capital assets	397.4	395.7	1.7
Restricted	61.9	40.6	21.3
Unrestricted	78.5	92.0	(13.5)
Total net position	$ 537.8	$ 528.3	$ 9.5

* As restated

Changes in net position, governmental activities. The District's total revenues increased 7.4% to $388.4 million (See Table A-2). The increase is due primarily to increases in state funding.

The total cost of all programs and services decreased 0.7% to $378.9 million. The District's expenses are predominantly related to educating and caring for students, 82.4%. The purely administrative activities of the District accounted for just 5.2% of total costs.

Table A-2

	Governmental Activities (In millions)		Variance Increase
	2014	2013	(Decrease)
Total Revenues	$ 388.4	$ 361.6	$ 26.8
Total Expenses	378.9	381.5	(2.6)
Increase (decrease) in net position	$ 9.5	$ (19.9)	$ 29.4

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $151.1 million, which is above last year's ending fund balance of $142.8 million. The primary cause of the increased fund balance is increased state funding.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $25.6 million primarily to reflect changes in estimates from the State.
- Expenditures – increased $43.4 million mainly due to re-budget carryover funds and for increased personnel costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $16.5 million, the actual results for the year show that revenues exceeded expenditures by roughly $12.1 million. Actual revenues were $2.1 million less than anticipated, but expenditures were $30.7 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013-14 the District had invested $15.0 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately $16.0 million.

Table A-3: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities (In millions)		Variance Increase
	2014	2013	(Decrease)
Land	$ 36.5	$ 36.5	$ -
Buildings and improvements	479.9	474.3	5.6
Furniture and equipment	3.0	3.7	(0.7)
Construction in progress	5.0	11.4	(6.4)
Total	$ 524.4	$ 525.9	$ (1.5)

Long-Term Debt

At year-end the District had $182.6 million in general obligation bonds, certificates of participation, claims liabilities, and employment benefits – a decrease of 0.8% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (In millions)		Variance Increase
	2014	**2013**	**(Decrease)**
General obligation bonds	$ 142.9	$ 147.2	$ (4.3)
Certificates of participation	11.9	12.6	(0.7)
Compensated absences	4.8	4.2	0.6
Claims liabilities	7.4	6.9	0.5
Other postemployment benefits	15.6	13.1	2.5
Total	$ 182.6	$ 184.0	$ (1.4)

FACTORS BEARING ON THE DISTRICT'S FUTURE

Budget Overview

The Governor signed the *2014-15 Budget Act* on June 20, 2014. In late June, the Governor signed 17 budget-related bills into law. The 2014-15 budget package assumes total state spending of $152.3 billion, an increase of 8.6 percent over revised totals for 2013-14. This consists of $108 billion from the General Fund and the Education Protection Account created by Proposition 30 (2012), and $44.3 billion from special funds. The budget package assumes spending from federal funds to be $98 billion, an increase of 20.9 percent over 2013-14 revised levels, mainly due to increases in the health area of the budget. Bond spending is expected to decline 53 percent in 2014-15.

Major Features of the 2014-15 Spending Plan

Similar to the 2013-14 budget, the 2014-15 spending plan makes targeted augmentations in a few areas while paying down several billion dollars in key liabilities. In addition, if certain revenue and other targets are met, additional spending—mostly for paying down debt—would be "triggered" under the budget plan.

Fully Funds CalSTRS Pension Program
As of the end of 2012-13, the California State Teachers' Retirement System (CalSTRS) had a $74 billion shortfall. Budget-related legislation aims to erase the unfunded liability in 32 years by increasing contributions from the state, school and community college districts, and teachers.

Proposition 98
The budget plan includes large Proposition 98 funding increases for schools and community colleges. The Proposition 98 budget continues implementation of the Local Control Funding Formula, pays down most of the remaining payment deferrals, and pays down several hundred million dollars of other Proposition 98 obligations.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Spending Changes
Funding for K-14 education increases significantly under the new budget package. In the sections that follow, we describe how the State is spending these funds.

Deferral Payments

Pays Down $5.2 Billion in Outstanding Deferrals
The budget package pays down $5.2 billion in outstanding deferrals ($4.7 billion for schools and $498 million for community colleges). Of the total paydown, $1.4 billion is designated as 2012-13 spending, $3.1 billion is designated as 2013-14 spending, and $662 million is designated as 2014-15 spending. Under the budget plan, $992 million in deferrals ($897 million for schools and $94 million for community colleges) would remain outstanding at the end of 2014-15.

Eliminates Remaining Deferrals if Minimum Guarantee Exceeds Estimates
The budget package pays down additional deferrals (potentially eliminating all outstanding deferrals) if subsequent estimates of the 2013-14 and 2014-15 minimum guarantees are higher than the administration's May 2015 estimates. Effectively, the budget plan earmarks the first $992 million in potential additional 2013-14 and 2014-15 spending for deferral paydowns.

Mandates

Pays Down $450 Million in Outstanding Education Mandate Claims
We estimate the State currently has a backlog of more than $5 billion in unpaid claims for education mandates. The budget includes $400 million to reduce the mandate backlog for schools. (Of this amount, $287 million is 2014-15 Proposition 98 funding and $113 million is from unspent prior-year fund.) Funds will be distributed to schools and community colleges on a per-student basis.

Adds Several Mandates to School and Community College Block Grants
The Commission on State Mandates recently approved seven new reimbursable education mandates. Six of these mandates apply to schools, two apply to community colleges, and one applies to both schools and community colleges. For schools, the budget adds to the block grant mandates related to (1) parental involvement procedures, (2) compliance activities associated with the *Williams v. California* case, (3) uniform complaint procedures, (4) developer fees, (5) charter school oversight, and (6) public contracts.

Energy Grants

State Provides Second-Year Funding for Energy Projects
Passed by voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five-year period, starting in 2013-14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 budget provides $345 million Proposition 98 General Fund for Proposition 39 school and community college energy programs. Specifically, the budget provides $279 million for school grants, $38 million for community colleges grants, and $28 million for the revolving loan program for both schools and community colleges. (Estimates of Proposition 39 revenues are lower in 2014-15 compared to 2013-14, resulting in less provided for school and community college grants.) The budget also provides $8 million non-Proposition 98 General Fund for Proposition 39 job-training programs administered by the California Conservation Corps ($5 million) and the California Workforce Investment Board ($3 million).

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Chapter 751 Obligation

Makes Final $410 Million Payment on Outstanding Proposition 98 Obligations From 2004-05 and 2005-06

The 2014-15 budget makes a final $410 million payment to retire the state's obligation set forth in Chapter 751, Statutes of 2006 (SB 1133, Torlakson). Chapter 751 required the state to provide additional annual school and community college payments until a total of $2.8 billion had been provided. Of the amount provided in the budget package, $316 million is for continued funding of the QEIA program ($268 million for schools and $48 million for community colleges) and $94 million is to pay down a separate state obligation related to school facility repairs.

K-12 Education

The largest K-12 augmentation is for the second-year phase in of the recently adopted Local Control Funding Formula (LCFF). The budget also includes several other school-specific augmentations—some of which relate to school operations and some of which relate to school infrastructure. In addition to these budget actions, the Legislature adopted trailer legislation relating to school district reserves and independent study (IS) programs.

Operational Funding

Provides $4.7 Billion for LCFF Implementation

The budget plan includes $4.7 billion in additional funding for the school district LCFF—resulting in per-pupil LCFF funding that is 12 percent higher than 2013-14 levels. The additional funding is sufficient to close 29 percent of the gap between districts' 2013-14 funding levels and their target funding rates. The budget also includes $26 million for the LCFF for county offices of education (COEs). This increase is sufficient to bring all COEs up to their LCFF funding targets in 2014-15.

Other Notable K-12 Actions

The budget provides $54 million to continue implementation of new student assessments and $33 million to provide a cost-of-living adjustment (COLA) for several K-12 programs (including special education and child nutrition programs).

Infrastructure

Allocates $189 Million for Emergency Repair Program (ERP)

Chapter 899, Statutes of 2004 (SB 6, Alpert), created the ERP to fund critical repair projects at certain low-performing schools. Chapter 899 requires the state to contribute a total of $800 million for the program. The state has provided $338 million to date. The budget provides $189 million for the ERP in 2014-15.

Allocates $27 Million in One-Time Funds for School Internet Infrastructure

The budget includes $27 million in one-time Proposition 98 funding for schools to purchase Internet connectivity infrastructure upgrades required to administer new computer-based tests. Grantees are to be selected based on the results of a statewide assessment of schools' Internet connectivity infrastructure to be completed by the K-12 High-Speed Network (HSN) by March 1, 2015.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Shifts Remaining Bond Authority Among Certain School Facility Programs
The budget package shifts remaining bond authority from the Career Technical Education (CTE) and High Performance Incentive (HPI) school facility programs to the New Construction and Modernization facility programs.

Local Reserves

Requires School Districts to Disclose and Justify Reserves
Chapter 32, Statutes of 2014 (SB 858, Committee on Budget and Fiscal Review), creates new disclosure requirements effective beginning in 2015-16 for districts that have reserves exceeding state-specified minimums. If a district's budget reserve exceeds the state minimum, Chapter 32 requires the district to identify the amount of reserves that exceed the minimum and explain why the higher reserve levels are necessary. The district must disclose this information in a public meeting and when it submits a budget to its COE.

Caps Local Reserves Some Years Under Proposition 2
Proposition 2 on the November 2014 ballot set forth new constitutional provisions relating to state reserves, including provisions relating to a new state reserve for schools. With the voters approving Proposition 2, certain provisions of Chapter 32 go into effect. These provisions cap school districts' reserve levels the year after the state makes a deposit into the new state reserve for schools. The caps for most districts will range from 3 percent to 10 percent of a district's annual expenditures.

All of these factors were considered in preparing the Riverside Unified School District budget for the 2014-15 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michael H. Fine, Deputy Superintendent Business Services and Governmental Relations at Riverside Unified School District, 3380 14th Street Avenue, Riverside, California 92501 or (951) 788-7135.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	$ 169,680,657
Investments	6,863,373
Accounts receivable	33,454,345
Prepaid expenses	51,428
Inventories	429,510
Total current assets	210,479,313
Capital assets:	
Non-depreciable assets	41,511,477
Depreciable assets	669,192,216
Less accumulated depreciation	(186,322,835)
Total capital assets, net of depreciation	524,380,858
Total assets	734,860,171
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	1,350,937
LIABILITIES	
Current liabilities:	
Accounts payable	12,407,365
Claims liabilities	2,457,125
Unearned revenue	991,304
Total current liabilities	15,855,794
Long-term liabilities:	
Due or payable within one year	5,158,920
Due or payable after one year	177,449,922
Total long-term liabilities	182,608,842
Total liabilities	198,464,636
NET POSITION	
Net investment in capital assets	397,440,939
Restricted for:	
Capital projects	22,774,778
Debt service	8,738,563
Categorical programs	30,297,149
Unrestricted	78,495,043
Total net position	$ 537,746,472

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 229,135,008	$ 79,050	$ 47,829,749	$ 6,114,132	$ (175,112,077)
Instruction-Related Services:					
Supervision of instruction	11,829,675	11,882	6,210,401	-	(5,607,392)
Instructional library, media and technology	3,177,831	-	23,280	-	(3,154,551)
School site administration	24,911,937	28	2,335,242	-	(22,576,667)
Pupil Support Services:					
Home-to-school transportation	10,905,621	-	4,990	-	(10,900,631)
Food services	18,772,433	2,734,756	17,520,031	-	1,482,354
All other pupil services	13,628,249	5,140	6,032,113	-	(7,590,996)
General Administration Services:					
Data processing services	5,098,737	750	1,133	-	(5,096,854)
Other general administration	14,491,768	124,685	3,171,375	-	(11,195,708)
Plant services	37,007,708	45,568	1,009,058	-	(35,953,082)
Ancillary services	2,333,656	-	-	-	(2,333,656)
Community services	63,391	-	-	-	(63,391)
Enterprise activities	4,710	-	-	-	(4,710)
Interest on long-term debt	7,076,638	-	-	-	(7,076,638)
Other outgo	471,987	962,702	1,483,519	-	1,974,234
Total Governmental Activities	$ 378,909,349	$ 3,964,561	$ 85,620,891	$ 6,114,132	(283,209,765)

General Revenues:	
Property taxes	72,402,041
Federal and state aid not restricted to specific purpose	216,071,426
Interest and investment earnings	324,791
Interagency revenues	16,000
Miscellaneous	3,912,371
Total general revenues	292,726,629
Change in net position	9,516,864
Net position - July 1, 2013, as originally stated	528,667,138
Adjustment for restatement (Note 1.G.)	(437,530)
Net position - July 1, 2013, as restated	528,229,608
Net position - June 30, 2014	$ 537,746,472

RIVERSIDE UNIFIED SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2014

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 60,055,999	$ 22,308,494	$ 41,214,417	$ 123,578,910
Investments	-	-	6,863,373	6,863,373
Accounts receivable	29,353,374	79,127	3,978,573	33,411,074
Due from other funds	6,015,499	608,702	191,986	6,816,187
Inventories	122,123	-	307,387	429,510
Prepaid expenditures	51,428	-	-	51,428
Total Assets	$ 95,598,423	$ 22,996,323	$ 52,555,736	$ 171,150,482
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 6,138,693	$ 507,035	$ 2,527,304	$ 9,173,032
Due to other funds	3,129,832	130,776	6,650,323	9,910,931
Unearned revenue	991,304	-	-	991,304
Total Liabilities	10,259,829	637,811	9,177,627	20,075,267
Fund Balances				
Nonspendable	323,551	-	331,382	654,933
Restricted	23,173,455	22,358,512	43,046,727	88,578,694
Committed	26,709,935	-	-	26,709,935
Assigned	4,419,800	-	-	4,419,800
Unassigned	30,711,853	-	-	30,711,853
Total Fund Balances	85,338,594	22,358,512	43,378,109	151,075,215
Total Liabilities and Fund Balances	$ 95,598,423	$ 22,996,323	$ 52,555,736	$ 171,150,482

RIVERSIDE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014

Total fund balances - governmental funds		$ 151,075,215
Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $710,703,693, and the accumulated depreciation is ($186,322,835).		524,380,858
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:		(15,646,137)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(2,878,361)
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred charges on refunding at the end of the period were:		1,350,937
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	142,940,965	
Certificates of participation payable	11,880,000	
Compensated absences payable	4,770,366	(159,591,331)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:		39,055,291
Total net position - governmental activities		$ 537,746,472

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2014

REVENUES	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
LCFF sources	$ 267,489,315	$ -	$ -	$ 267,489,315
Federal sources	23,656,181	-	17,958,962	41,615,143
Other state sources	45,608,117	-	11,061,637	56,669,754
Other local sources	8,064,252	74,009	14,886,960	23,025,221
Total Revenues	344,817,865	74,009	43,907,559	388,799,433
EXPENDITURES				
Current:				
Instruction	214,117,944	-	2,416,675	216,534,619
Instruction-related services:				
Supervision of instruction	10,949,365	-	296,016	11,245,381
Instructional library, media and technology	2,977,771	-	-	2,977,771
School site administration	23,415,823	-	34,641	23,450,464
Pupil support services:				
Home-to-school transportation	10,532,243	-	-	10,532,243
Food services	7,985	-	18,685,150	18,693,135
All other pupil services	12,845,217	-	94,527	12,939,744
Ancillary services	2,310,952	-	-	2,310,952
Community services	63,042	-	-	63,042
General administration services:				
Data processing services	4,898,106	-	-	4,898,106
Other general administration	10,944,234	-	117,085	11,061,319
Plant services	34,470,945	-	287,692	34,758,637
Transfers of indirect costs	(831,436)	-	831,436	-
Capital Outlay	5,586,485	6,442,805	3,904,210	15,933,500
Intergovernmental	471,987	-	-	471,987
Debt Service:				
Principal	-	-	4,700,000	4,700,000
Interest	-	-	7,325,011	7,325,011
Total Expenditures	332,760,663	6,442,805	38,692,443	377,895,911
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,057,202	(6,368,796)	5,215,116	10,903,522
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	5,769,152	4,389,649	9,208,063	19,366,864
Interfund transfers out	(11,157,630)	(564,078)	(10,320,835)	(22,042,543)
Total Other Financing Sources and Uses	(5,388,478)	3,825,571	(1,112,772)	(2,675,679)
Net Change in Fund Balances	6,668,724	(2,543,225)	4,102,344	8,227,843
Fund Balances, July 1, 2013	78,669,870	24,901,737	39,275,765	142,847,372
Fund Balances, June 30, 2014	$ 85,338,594	$ 22,358,512	$ 43,378,109	$ 151,075,215

RIVERSIDE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental funds		$ 8,227,843
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	15,012,492	
Depreciation expense	(15,967,262)	
Net:		(954,770)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		4,700,000
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:		(2,515,917)
In governmental funds, any proceeds from the disposal of capital assets are reported as revenue. The statement of activities, only the resulting gain or loss is reported. Since there were no proceeds from the disposal of capital assets, the resulting loss in the current period was:		(254,590)
If a planned capital project is canceled and will not be completed, costs previously capitalized as construction in progress must be written off to an expense. Costs written off for canceled projects were:		(270,523)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the debt. Amortization of the premium for the period is:		278,920
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year charges and the current year amortization is:		(103,918)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		73,372
In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) This year vacation leave earned exceeded the amounts used by:		(563,013)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service fund was:		899,460
Change in net position of governmental activities		$ 9,516,864

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2014

		Governmental Activities
		Internal Service Fund
ASSETS		
Current assets:		
Cash	$	46,101,747
Accounts receivable		43,271
Due from other funds		3,116,006
Total assets		49,261,024
LIABILITIES		
Current liabilities:		
Accounts payable		355,972
Due to other funds		21,262
Claims liabilities		2,457,125
Total current liabilities		2,834,359
Non-current liabilities:		
Claims liabilities		7,371,374
Total liabilities		10,205,733
NET POSITION		
Restricted	$	39,055,291

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 14,654,753
Other local revenues	765,967
Total operating revenues	15,420,720
OPERATING EXPENSES	
Certificated salaries	12,660
Classified salaries	389,367
Employee benefits	134,611
Books and supplies	3,879
Services and other operating expenditures	16,804,584
Total operating expenses	17,345,101
Operating Income (Loss)	(1,924,381)
NON-OPERATING REVENUES (EXPENSES)	
Interfund transfers in	2,675,679
Interest income	148,162
Total non-operating revenues (expenses)	2,823,841
Change in net position	899,460
Net position, July 1, 2013	38,155,831
Net position, June, 30, 2014	$ 39,055,291

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 15,237,798
Cash payments for payroll, insurance and operating expenses	(16,720,912)
Net cash provided (used) by operating activities	(1,483,114)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers in	2,675,679
Net cash provided (used) by non-capital financing activities	2,675,679
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	144,405
Net increase in cash	1,336,970
Cash, July 1, 2013	44,764,777
Cash, June 30, 2014	$ 46,101,747

ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	$ (1,924,381)
(Increase) Decrease in operating assets	
Due from other funds	(194,452)
Accounts receivable	11,530
Increase (Decrease) in operating liabilities	
Accounts payable	(25,259)
Claims liabilities	682,758
Due to other funds	(33,310)
Net cash provided (used) by operating activities	$ (1,483,114)

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2014

	Agency Funds		Trust Fund
	Student Body Funds	Debt Service Fund for Special Tax Bonds	Scholarship Fund
ASSETS			
Cash	$ 1,053,519	$ -	$ 312,969
Investments	-	18,384,899	-
Accounts receivable	3,956	-	274
Inventories	138,316	-	-
Prepaid expenses	9,899	-	-
Total Assets	$ 1,205,690	$ 18,384,899	313,243
LIABILITIES			
Accounts payable	$ 12,562	$ -	1,224
Due to bondholders	-	18,384,899	-
Due to student groups	1,193,128	-	-
Total Liabilities	$ 1,205,690	$ 18,384,899	1,224
NET POSITION			
Restricted for student scholarships			$ 312,019

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Trust Fund Scholarship Fund
ADDITIONS	
Other local sources	$ 66,795
DEDUCTIONS	
Other services & operating expenses	18,159
Net Increase (Decrease) in net position	48,636
Net Position - July 1, 2013	263,383
Net Position - June 30, 2014	$ 312,019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Riverside Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District's component units are so intertwined with the District that they are, in substance, the same as the District and, therefore, are blended and reported as if they were part of the District. The District Board of Education also serves as the governing board for the Riverside Unified School District Financing Authority and the Community Facilities Districts. Although the board members of the Riverside Unified School District Financing Authority and the Community Facilities Districts are appointed by the Board of Education, the Authority exists solely to finance the acquisition and construction of equipment and facilities for the District.

Component Unit	Included in the Reporting Entity Because:	Separate Financial Statements
Riverside USD Financing Authority was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling and leasing public facilities, land, personal property and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under a lease-purchase agreement dated April 1, 2009.	Board of Education composes board of Financing Authority	Not prepared.
Community Facilities Districts (CFD): The District has entered into various agreements with developers to establish CFDs. The purpose of the agreements is to provide for the collection of special taxes to provide and finance the design, acquisition and construction of certain public facilities, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFDs are authorized to levy special taxes on parcels of taxable property within the CFDs.	Board of Education composes board of CFD	Not prepared.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District reports the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Capital Projects Funds for Blended Component Units: This fund is used to account for the activity of the certificates of participation and of the Community Facilities Districts.

Debt Service Funds:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment, of certificates of participation, interest and related costs.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to account for resources committed to the District's self-insured property and liability, workers compensation, and health benefits insurance programs.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District also maintains a Debt Service Fund for Special Tax Bonds to account for debt service activity of the CFDs.

Scholarship Funds: These funds are used to report formal arrangements under which principal and interest benefit other individuals, private organizations, or other governments. This fund was established to account for funds received and held with the purpose of providing scholarships for eligible students.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

C. Budgetary Data
The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	2-15 years

4. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

5. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

6. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. This item is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position (continued)

7. Deferred Outflows/Inflows of Resources (continued)
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

8. Net Position
Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

G. New GASB Pronouncement
During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)*
This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncement (continued)

Statement No. 65 (continued)

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by $437,530, which is the amount of unamortized debt issuance costs at July 1, 2013.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2014 are reported at fair value and consisted of the following:

		Governmental Activities			
	Rating	Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:					
Cash in county treasury		$ 121,259,819	$ 45,035,615	$ 166,295,434	$ 312,969
Deposits:					
Cash on hand and in banks		161,875	-	161,875	1,053,519
Cash in revolving fund		173,995	-	173,995	-
Cash collections awaiting deposit		1,983,221	1,132	1,984,353	-
Cash with fiscal agent		-	1,065,000	1,065,000	-
Total Deposits		2,319,091	1,066,132	3,385,223	1,053,519
Total Cash		$ 123,578,910	$ 46,101,747	$ 169,680,657	$ 1,366,488
Investments:					
US Bank - Money Market	N/A	$ 5,542,775	$ -	$ 5,542,775	$ 12,367,470
US Bank - US Government Bonds	AA+	1,320,598	-	1,320,598	4,890,149
Corporate Issue - Private Export Funding	AA+	-	-	-	1,127,280
Total Investments		$ 6,863,373	$ -	$ 6,863,373	$ 18,384,899

Investment security ratings reported as of June 30, 2014 are defined by Standard and Poors.

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2014, $2,340,093 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2014 consist of the following:

		Maturity	
	Fair Value	Less Than One Year	One Year Through Five Years
Investment maturities:			
US Bank - Money Market	$ 17,910,245	$ 17,910,245	$ -
US Bank - US Government Bonds	6,210,747	400,022	5,810,725
Corporate Issue - Private Export Funding	1,127,280	-	1,127,280
Totals	$ 25,248,272	$ 18,310,267	$ 6,938,005

Investments - Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2014, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had the following investments that represent more than five percent of the District's net investments.

US Bank - Money Market	70.9%
US Bank - US Government Bonds	24.6%

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 consisted of the following:

	Governmental Funds				Proprietary Fund	Fiduciary Funds	
	General Fund	Building Fund	Non-Major Governmental Funds	Total	Internal Service Fund	Associated Student Body Funds	Scholarship Fund
Federal Government:							
Categorical aid programs	$ 2,746,611	$ -	$ 3,225,588	$ 5,972,199	$ -	$ -	$ -
State Government:							
LCFF	19,126,886	-	-	19,126,886	-	-	-
Lottery	1,039,262	-	-	1,039,262	-	-	-
Special education	4,595,116	-	-	4,595,116	-	-	-
Categorical aid programs	1,286,405	-	385,469	1,671,874	-	-	-
Local:							
Interest	81,032	18,876	18,864	118,772	38,937	-	274
Food service sales	-	-	90,774	90,774	-	-	-
Other local	430,211	60,251	198,985	689,447	4,319	3,956	-
Miscellaneous	47,851	-	58,893	106,744	15	-	-
Total	$ 29,353,374	$ 79,127	$ 3,978,573	$ 33,411,074	$ 43,271	$ 3,956	$ 274

NOTE 4 - INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2014 consisted of the following:

	Due from other funds				
	General Fund	Building Fund	Non-Major Governmental Funds	Total	Self-Insurance Fund
General Fund	$ -	$ -	$ 14,037	$ 14,037	$ 3,115,795
Building Fund	130,776	-	-	130,776	-
Non-Major Governmental Funds	5,863,461	608,702	177,949	6,650,112	211
Self-Insurance Fund	21,262	-	-	21,262	-
Total	$ 6,015,499	$ 608,702	$ 191,986	$ 6,816,187	$ 3,116,006

The $3,115,795 due to the Self Insurance Fund from the General Fund is a contribution. There is $4,341,984 due to the General Fund from the Adult Education Fund to clear the ending balance. A balance of $750,543 is due to the General Fund from the Cafeteria Fund for indirect costs and other operating expenditures and $460,000 due to the General Fund from the Child Development Fund to clear a temporary loan accrual.

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended at June 30, 2014 consisted of the following:

	Interfund Transfers In				
	General Fund	Building Fund	Non-Major Governmental Funds	Total	Self-Insurance Fund
General Fund	$ -	$ 15,915	$ 8,466,036	$ 8,481,951	$ 2,675,679
Building Fund	-	-	564,078	564,078	-
Non-Major Governmental Funds	5,769,152	4,373,734	177,949	10,320,835	-
Total	$ 5,769,152	$ 4,389,649	$ 9,208,063	$ 19,366,864	$ 2,675,679

General Fund transfer to Child Development Fund for state preschool contribution	$ 82,441
General Fund transfer to Building Fund for central kitchen modernization correction	1,250
General Fund transfer to Building Fund for time sheet corrections	14,665
General Fund transfer to Special Reserve Fund for Caipital Outlay Projects for rebate	25,951
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for redevelopment asset liquidation	7,066,644
General Fund transfer to Debt Service Fund for contributions	1,291,000
General Fund transfer to Self-Insurance Fund for contributions	2,675,679
Adult Education Fund transfer to General Fund to move activity	4,341,984
Deferred Maintenance Fund transfer to General Fund for budget solutions	1,427,168
Building Fund transfer to County School Facilities Fund for project expenses	564,078
County School Facilities Fund transfer to Building Fund for prior year expenses	1,577,212
Special Reserve Fund for Capital Outlay Projects transfer to Building Fund for project expenses	1,014,318
Capital Projects Fund for Blended Component Units Fund transfer to Building Fund for project expenses	1,782,204
Capital Projects Fund for Blended Component Units Fund transfer to Capital Facilities Fund for project expenses	177,949
	$ 22,042,543

NOTE 5 – FUND BALANCES

Minimum Fund Balance Policy
During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

At June 30, 2014, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 150,000	$ -	$ 23,995	$ 173,995
Stores inventories	122,123	-	307,387	429,510
Prepaid expenditures	51,428	-	-	51,428
Total Nonspendable	323,551	-	331,382	654,933
Restricted:				
Categorical programs	23,173,455	-	-	23,173,455
Food service program	-	-	6,792,312	6,792,312
Capital projects	-	22,358,512	27,515,852	49,874,364
Debt service	-	-	8,738,563	8,738,563
Total Restricted	23,173,455	22,358,512	43,046,727	88,578,694
Committed:				
Other commitments	26,709,935	-	-	26,709,935
Total Committed	26,709,935	-	-	26,709,935
Assigned:				
Other assignments	4,419,800	-	-	4,419,800
Total Assigned	4,419,800	-	-	4,419,800
Unassigned:				
Reserve for economic uncertainties	6,931,245	-	-	6,931,245
Remaining unassigned balances	23,780,608	-	-	23,780,608
Total Unassigned	30,711,853	-	-	30,711,853
Total	$ 85,338,594	$ 22,358,512	$ 43,378,109	$ 151,075,215

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014
Capital assets not being depreciated:				
Land	$ 36,524,876	$ -	$ -	$ 36,524,876
Construction in progress	11,415,969	8,181,810	14,611,178	4,986,601
Total capital assets not being depreciated	47,940,845	8,181,810	14,611,178	41,511,477
Capital assets being depreciated:				
Buildings and improvements	632,254,249	21,171,337	375,641	653,049,945
Furniture and equipment	16,142,271	-	-	16,142,271
Total capital assets being depreciated	648,396,520	21,171,337	375,641	669,192,216
Accumulated depreciation for:				
Buildings and improvements	(158,024,974)	(15,279,702)	(121,051)	(173,183,625)
Furniture and equipment	(12,451,650)	(687,560)	-	(13,139,210)
Total accumulated depreciation	(170,476,624)	(15,967,262)	(121,051)	(186,322,835)
Total capital assets being depreciated, net	477,919,896	5,204,075	254,590	482,869,381
Governmental activity capital assets, net	$ 525,860,741	$ 13,385,885	$ 14,865,768	$ 524,380,858

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:	
Instruction	$ 10,854,310
Supervision of instruction	501,333
Instructional library, media and technology	178,674
School site administration	1,262,518
Home-to-school transportation	371,515
Food services	2,168
All other pupil services	590,431
Data processing	177,663
All other general administration	499,487
Plant services	1,529,163
Total depreciation expense	$ 15,967,262

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 143,310,000	$ -	$ 3,995,000	$ 139,315,000	$ 4,145,000
Unamortized Issuance Premium	3,904,885	-	278,920	3,625,965	278,920
Total G.O. Bonds	147,214,885	-	4,273,920	142,940,965	4,423,920
Certificates of Participation	12,585,000	-	705,000	11,880,000	735,000
Compensated Absences	4,207,353	563,013	-	4,770,366	-
Claims Liabilities	6,859,306	512,068	-	7,371,374	-
Other Postemployment Benefits	13,130,220	2,515,917	-	15,646,137	-
Total	$ 183,996,764	$ 3,590,998	$ 4,978,920	$ 182,608,842	$ 5,158,920

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund. The claims liabilities will be paid from the Self-Insurance Fund. Accumulated vacation and other postemployment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Series B
The General Obligation Bonds (Series B) were issued for $65,000,000 under Measure "B" which was approved by the voters of the District at an election held on November 6, 2001. The bonds were issued to perform construction, reconstruction, remodeling, rehabilitation and renovation projects. The specific projects include (1) construction of the Martin Luther King High School Aquatic Center, (2) wing additions at two middle school sites, (3) modernization projects at 14 other District school sites, (4) construction of the Ramona High School Performing Arts Studio, (5) restroom repairs and modernizations at sites throughout the District, (6) purchase and installation of a new communication system and (7) partial funding for three new elementary schools.

Series C
The General Obligation Bonds (Series C) were issued for $50,000,000 under Measure "B" which was approved by the voters of the District at an election held on November 6, 2001. The bonds were issued to perform construction, reconstruction, remodeling, rehabilitation and renovation projects. The specific projects include (1) restroom renovations, including ADA accommodations, (2) athletic field renovation, (3) elementary school #34 (land cost), (4) Frank Augustus Miller middle school, (5) new library, (6) new multipurpose room and cafeteria, (7) parking lot expansion, (8) permanent wing additions replacing portable classrooms and (9) stadium ADA renovation.

2011 Refunding General Obligation Bonds
On October 5, 2011, the District issued $46,125,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 3.1 percent with annual maturities from February 1, 2012 through February 1, 2027. The net proceeds of $50,087,691 (after premiums of $4,462,725 and issuance costs of $500,034) were used to prepay the District's outstanding Election of 2001, Series A General Obligation Bonds.

A summary of general obligation bonds issued by the District is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2001(B)	4/19/2006	9/1/2030	3.0%-4.57%	$ 65,000,000	$ 53,010,000	$ -	$ 1,120,000	$ 51,890,000
2001(C)	5/6/2008	8/1/2038	4.75%-5.25%	50,000,000	49,500,000	-	155,000	49,345,000
2011 Refunding	10/5/2011	2/1/2027	2.0%-5.0%	46,125,000	40,800,000	-	2,720,000	38,080,000
				$ 161,125,000	$ 143,310,000	$ -	$ 3,995,000	$ 139,315,000

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2014-15	$ 4,145,000	$ 6,592,369	$ 10,737,369
2015-16	2,435,000	6,425,019	8,860,019
2016-17	4,360,000	6,326,019	10,686,019
2017-18	4,540,000	6,149,969	10,689,969
2018-19	4,735,000	5,966,719	10,701,719
2019-24	28,595,000	26,519,238	55,114,238
2024-29	28,885,000	19,603,831	48,488,831
2029-34	31,135,000	12,048,562	43,183,562
2034-39	30,485,000	4,934,487	35,419,487
Total	$ 139,315,000	$ 94,566,213	$ 233,881,213

B. Certificates of Participation

On December 21, 2001, the Riverside Unified School District School Facilities Corporation issued certificates of participation in the amount of $15,735,000. The certificates were issued to provide funds to prepay and defease the District's COP 1992, Series A, prepay certain outstanding lease-purchase obligations, fund a reserve account and pay the costs of issuing the certificates. The interest rate of the certificates ranges from 3.0% and 5.0% and mature on December 21, 2026. At June 30, 2014, the principal balance outstanding was $4,770,000.

On May 1, 2009, the Riverside Unified School District School Facilities Corporation issued certificates of participation in the amount of $8,605,000. The certificates were issued to prepay the District's COP for the 1998 School Facility Bridge Refunding Program, provide a reserve account and pay issuance costs. The interest rate of the certificates ranges from 3.0% to 5.0% and mature on September 1, 2027. At June 30, 2014, the principal balance outstanding was $7,110,000.

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2014, are as follows:

Fiscal Year	Principal	Interest	Total
2014-15	$ 735,000	$ 555,343	$ 1,290,343
2015-16	765,000	522,713	1,287,713
2016-17	795,000	491,681	1,286,681
2017-18	835,000	452,588	1,287,588
2018-19	870,000	414,034	1,284,034
2019-24	4,175,000	1,454,513	5,629,513
2024-28	3,705,000	371,472	4,076,472
Total	$ 11,880,000	$ 4,262,344	$ 16,142,344

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

C. Claims Liability

The District has an outstanding long-term liability for incurred, but not reported, claims for the District's self-insured programs in the amount of $7,371,374. The total claims liability is reported in Note 9, but only the long-term portion is reported here.

D. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $119,475,000 as of June 30, 2014, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – JOINT VENTURES

The Riverside Unified School District participates in joint ventures under joint powers agreements with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The ASCIP JPA provides workers compensation as well as property and liability insurance coverage for its member districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed audited financial information for the year ended June 30, 2013 is as follows:

	ASCIP
Assets	$ 295,431,234
Liabilities	160,686,476
Net Position	$ 134,744,758
Revenues	$ 201,182,650
Expenses	190,821,296
Change in Net Position	$ 10,361,354

NOTE 9 – RISK MANAGEMENT

Property and Liability
The Property and Liability Program, for which the District retains risk of loss, is administered by the Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of Schools for Cooperative Insurance Programs (ASCIP). General liability claims in excess of a $100,000 self-insured retention are covered up to $5,000,000 per occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation
Workers' compensation claims in excess of a $500,000 self-insured retention are covered up to $10,000,000 per occurrence through ASCIP.

Employee Medical Benefits
Employee life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance.

Unpaid Claims Liabilities
The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District's workers' compensation and health insurance program from July 1, 2012 to June 30, 2014:

	Health Insurance	Workers' Compensation
Liability Balance, July 1, 2012	$ 1,550,000	$ 6,922,260
Claims and changes in estimates	11,279,822	2,961,062
Claims payments	(11,124,822)	(2,442,581)
Liability Balance, June 30, 2013	1,705,000	7,440,741
Claims and changes in estimates	12,102,033	2,384,010
Claims payments	(11,659,877)	(2,143,408)
Liability Balance, June 30, 2014	$ 2,147,156	$ 7,681,343
Assets available to pay claims at June 30, 2014	$ 5,355,142	$ 15,665,613

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Litigation
The District is involved in various litigation. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the litigation will have a material impact on the financial statements.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of $42.1 million. A detailed listing of outstanding construction commitments at June 30, 2014 is as follows:

CAPITAL PROJECT	Remaining Construction Commitments	Expected Date of Completion
Maxine Frost Elementary School	$ 26,550,211	TBD
Ramona High School Career Technology Education	1,955,471	8/5/2016
Liberty Elementary School Wing Addition	4,909,771	10/14/2014
ADA Restroom - Phase II	374,480	8/23/2014
Campus Access Control/Security	2,236,690	8/15/2014
Central Kitchen Modernization	4,600,127	TBD
Energy Efficiency Projects	997,486	TBD
Arlington High School Pick-Up Project	273,297	10/10/2014
Riverside Polytechnic High School Pick-Up Project	164,760	10/3/2014
University Heights MS Mini Makeover - Asphalt	1,000	9/15/2014
	$ 42,063,293	

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

<u>Plan Description and Provisions</u>

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (continued)

Public Employees' Retirement System (PERS) (continued)
The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 7,089,027	100%
2012-13	$ 8,350,917	100%
2011-12	$ 7,865,173	100%

State Teachers' Retirement System (STRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at www.calstrs.com.

Funding Policy
Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 13,762,050	100%
2012-13	$ 13,219,062	100%
2011-12	$ 12,996,937	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately $7.1 million to STRS (4.267% of salaries subject to STRS in 2013-14).

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Riverside Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information
Membership in the plan, as of July 1, 2012, consisted of the following:

Retirees and beneficiaries receiving benefits	259
Active plan members	3,128
Total	3,387

The District provides postemployment health care benefits, in accordance with District employment contracts.

Certificated Retirees: Upon attainment of age 55 and completion of at least 10 years of full-time District service and employment as a bargaining unit member for 10 of the last 14 years prior to retirement, an employee may retire and remain covered under one of the medical plan options for retiree-only coverage at the District's expense until age 65. For retirements on or after July 1, 2010, the service requirement is 15 years of full-time service out of the last 19 years prior to retirement, and District-paid benefits will continue for the lesser of 8 years or until age 65.

Management, Confidential and Cabinet Retirees: Upon attainment of age 50 (if covered under PERS) or age 55 (if covered under STRS) and completion of at least 10 years of District service prior to retirement, an employee may retire and remain covered under one of the medical plan options for retiree-only coverage at the District's expense for the lesser of 10 years or until age 65. For retirements on or after July 1, 2010, benefits continue for the lesser of 8 years or until age 65, and the eligibility requirements are (1) Retirement under PERS or STRS, (2) either (a) 15 years of service as a management or confidential employee in a California public agency, or (b) 15 years of service in the District in any combination of bargaining unit or management positions, and (3) 5 years of District service immediately prior to retirement.

Classified and Classified Supervisory Retirees: Upon attainment of age 50 and completion of at least 10 years of District service, an employee may retire and receive a District-paid contribution of $2,774 per year towards retiree-only medical coverage, reduced by 1/15th for each year of service less than 20, to a minimum of $1,849 per year for 15 or fewer years of service. District-paid benefits continue for the lesser of 10 years or until age 65. For retirements on or after July 1, 2010, District-paid benefits continue for the lesser of 8 years or until age 65. Unit members working less than full-time, but at least 20 hours per week, receive a pro-rated entitlement in proportion to the average daily hours worked during the member's final 3 years of service with the District.

Classified and Classified Supervisory: Unit members who retire with 25 or more years of District service receive a monthly amount equal to the single party premium of the least costly health plan available through the District. To be eligible for this benefit the retiree must have been employed by the District as a full-time bargaining unit member for 10 of the last 14 years at the time of retirement. This benefit is discontinued for retirements on or after July 1, 2010.

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2013-14, the District contributed $2,723,323, which included an implicit rate subsidy.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	$ 5,436,872
Interest on net OPEB obligation	656,511
Adjustment to ARC	(854,143)
Annual OPEB cost	5,239,240
Contributions made	(2,723,323)
Increase in net OPEB obligation	2,515,917
Net OPEB obligation - July 1, 2013	13,130,220
Net OPEB obligation - June 30, 2014	$ 15,646,137

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the preceding two years as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	$ 4,232,551	49.5%	$ 10,571,642
2013	$ 5,239,240	51.5%	$ 13,130,220
2014	$ 5,239,240	48.0%	$ 15,646,137

Funded Status and Funding Progress – OPEB Plans
As of July 1, 2012, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $43.6 million and the unfunded actuarial accrued liability (UAAL) was $43.6 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)
Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level dollar, open
Remaining Amortization Period	24 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	5.0%
Long-term healthcare cost trend rates:	
Medical/Rx	8.0%

NOTE 13 – FUTURE GASB PRONOUNCEMENT

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)*
The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 13 – FUTURE GASB PRONOUNCEMENT

Statement No. 68 (continued)

Cost-Sharing Employers
In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

NOTE 14 - ORGANIZATIONAL RESTRUCTURING

On July 1, 2014, the District began restructuring the administrative structure. The District now has the following administrators, who oversee the operations of the corresponding departments:

Administrator/ Title	Department(s)
David C. Hansen, Ed.D., District Superintendent	District-Wide
Michael H. Fine, Deputy Superintendent	Business Services and Governmental Relations
Susan Mills, Assistant Superintendent	Personnel Leadership and Development
Kirk Lewis, Ed.D., Assistant Superintendent	Operations
Judith Paredes, Assistant Superintendent	Common Core
Timothy Walker, Executive Director	Pupil Services and SELPA
Renee Hill, Assistant Superintendent	Instructional Support

The District does not expect this reorganization to have a significant financial impact, but anticipates an operational impact.

Required Supplementary Information

(This page intentionally left blank)

RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 222,152,643	$ 264,097,185	$ 267,489,315	$ 3,392,130
Federal Sources	23,467,262	28,978,909	23,656,181	(5,322,728)
Other State Sources	72,116,614	45,695,745	45,608,117	(87,628)
Other Local Sources	3,663,301	8,192,386	8,064,252	(128,134)
Total Revenues	321,399,820	346,964,225	344,817,865	(2,146,360)
Expenditures				
Current:				
Certificated Salaries	159,026,022	173,858,374	166,584,424	7,273,950
Classified Salaries	44,284,476	49,449,242	47,962,492	1,486,750
Employee Benefits	59,433,435	60,009,721	58,268,478	1,741,243
Books and Supplies	16,038,227	29,761,988	17,367,210	12,394,778
Services and Other Operating Expenditures	38,978,095	44,246,857	36,515,307	7,731,550
Capital Outlay	3,254,912	6,522,995	6,422,201	100,794
Intergovernmental	(938,641)	(396,564)	(359,449)	(37,115)
Total Expenditures	320,076,526	363,452,613	332,760,663	30,691,950
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,323,294	(16,488,388)	12,057,202	28,545,590
Other Financing Sources and Uses				
Interfund Transfers In	1,100,000	8,413,075	5,769,152	(2,643,923)
Interfund Transfers Out	(2,971,700)	(13,785,638)	(11,157,630)	2,628,008
Total Other Financing Sources and Uses	(1,871,700)	(5,372,563)	(5,388,478)	(15,915)
Net Change in Fund Balance	(548,406)	(21,860,951)	6,668,724	28,529,675
Fund Balances, July 1, 2013	77,454,428	78,669,870	78,669,870	-
Fund Balances, June 30, 2014	$ 76,906,022	$ 56,808,919	$ 85,338,594	$ 28,529,675

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Funding Progress

For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2005	N/A	$ 26,059,654	$ 26,059,654	0%	$ 223,625,250	12%
July 1, 2008	N/A	32,747,590	32,747,590	0%	223,813,913	15%
July 1, 2010	N/A	34,387,722	34,387,722	0%	207,415,913	17%
July 1, 2012	N/A	43,617,286	43,617,286	0%	220,530,506	20%

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

General Fund:		
Intergovernmental	$	37,115

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

The Riverside Unified School District was established on July 1, 1963, and consists of an area comprising approximately 94 square miles. The District operates thirty-one elementary schools, eight middle schools, five high schools, two continuation high schools, and one adult education school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Patricia Lock-Dawson	President	December 2015
Tom Hunt	Vice President	December 2015
Kathy Y. Allavie	Clerk	December 2017
Gayle Cloud	Member	December 2015
Brent Lee	Member	December 2017

DISTRICT ADMINISTRATORS[1]

Michael H. Fine, [2]
Interim Superintendent

Michael H. Fine,
Deputy Superintendent, Business Services and Governmental Relations

William Ermert, Ed.D.,
Assistant Superintendent, Instructional Services

Susan Mills,
Assistant Superintendent, Human Resources

Kirk Lewis, Ed.D.,
Assistant Superintendent, Operations

Judith Paredes,
Assistant Superintendent, Instructional Services

Timothy Walker,
Executive Director, Pupil Services

David Haglund, Ed.D.,
Assistant Superintendent, Instructional Support

[1] Beginning on July 1, 2014, the District began reorganizing the District's administration. This reorganization is described in Note 14.
[2] David Hansen, Ed.D. became the Superintendent on July 1, 2014.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2014

Second Period Report - Certificate No. (D1AEB89E)

Regular ADA:	**TK/K-3**	**Grades 4-6**	**Grades 7-8**	**Grades 9-12**	**Total**
Regular ADA	12,001.91	8,976.15	6,381.97	12,837.78	40,197.81
Extended Year Special Education	13.01	4.84	5.35	11.23	34.43
Special Education - Nonpublic Schools	4.99	21.58	14.74	58.88	100.19
Extended Year Special Education - Nonpublic Schools	0.70	2.09	1.70	7.09	11.58
Total ADA	12,020.61	9,004.66	6,403.76	12,914.98	40,344.01

Other (included in Regular ADA amounts):

Full-Time Independent Study	329.64
Transitional Kindergarten	382.62
Continuation Education	393.45
Opportunity Classes	77.12

Annual Report - Certificate No. (160B7B4D)

Regular ADA:	**TK/K-3**	**Grades 4-6**	**Grades 7-8**	**Grades 9-12**	**Total**
Regular ADA	11,998.62	8,966.25	6,357.63	12,739.27	40,061.77
Extended Year Special Education	13.01	4.84	5.35	11.23	34.43
Special Education - Nonpublic Schools	4.59	18.39	13.56	53.40	89.94
Extended Year Special Education - Nonpublic Schools	0.70	2.09	1.70	7.09	11.58
Total ADA	12,016.92	8,991.57	6,378.24	12,810.99	40,197.72

Other (included in Regular ADA amounts):

Full-Time Independent Study	322.35
Transitional Kindergarten	370.79
Continuation Education	376.76
Opportunity Classes	76.58

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2014

	1986-87 Requirement		2013-14	Number of Days	
Grade Level	Previously Required	Reduced*	Actual Minutes	Traditional Calendar	Status
Kindergarten	36,000	35,000	57,790	181	Complied
Grade 1	50,400	49,000	52,020	181	Complied
Grade 2	50,400	49,000	52,020	181	Complied
Grade 3	50,400	49,000	52,020	181	Complied
Grade 4	54,000	52,500	54,180	181	Complied
Grade 5	54,000	52,500	54,180	181	Complied
Grade 6	54,000	52,500	54,180	181	Complied
Grade 7	54,000	52,500	55,027	180	Complied
Grade 8	54,000	52,500	55,027	180	Complied
Grade 9	64,800	63,000	64,815	180	Complied
Grade 10	64,800	63,000	64,856	180	Complied
Grade 11	64,800	63,000	64,856	180	Complied
Grade 12	64,800	63,000	64,856	180	Complied

* Amounts reduced as permitted by Education Code Section 46201.2 (a).

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2014

General Fund	(Budget) 2015[3]	2014	2013	2012
Revenues and other financing sources	$ 372,500,211	$ 350,587,017	$ 326,000,119	$ 320,139,199
Expenditures	380,633,820	332,760,663	333,057,733	313,803,869
Other uses and transfers out	3,475,618	11,157,630	2,530,880	8,288,531
Total outgo	384,109,438	343,918,293	335,588,613	322,092,400
Change in fund balance (deficit)	(11,609,227)	6,668,724	(9,588,494)	(1,953,201)
Ending fund balance	$ 73,729,367	$ 85,338,594	$ 78,669,870	$ 88,258,364
Available reserves [1]	$ 32,298,864	$ 30,711,853	$ 46,776,479	$ 59,527,544
Available reserves as a percentage of total outgo	8.4%	8.9%	13.9%	18.5%
Total long-term debt	$ 177,449,922	$ 182,608,842	$ 183,996,764	$ 185,638,175
Average daily attendance at P-2 [2]	40,576	40,344	40,127	40,171

The General Fund balance has decreased by $2,919,770 over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of $11,609,227. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year. Long-term debt has decreased by $3,029,333 over the past two years.

Average daily attendance has increased by 173 over the past two years. An increase of 232 ADA is anticipated during the fiscal year 2014-15.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Excludes Adult Education ADA.

[3] Revised Final Budget September 2014.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Department of Education (CDE):				
School Breakfast Program - Especially Needy	10.553	13526	$ 3,147,594	
School Breakfast Program - Basic	10.553	13525	34,383	
National School Lunch Program	10.555	13523	12,377,222	
Summer Food Service Program	10.559	10044	232,458	
USDA Donated Foods	10.555	N/A	1,089,275	
Subtotal Child Nutrition Cluster				$ 16,880,932
CACFP Claims - Centers and Family Day Care	10.558	13393		300,606
Total U.S. Department of Agriculture				17,181,538
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.000	N/A		298,734
Total U.S. Department of Defense				298,734
U.S. Department of Education:				
Teaching American History	84.215X	N/A		28,862
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	335,731	
Adult Secondary Education	84.002	13978	241,622	
English Literacy & Civics Education	84.002A	14109	127,243	
Subtotal Adult Basic Education Cluster				704,596
No Child Left Behind Act (NCLB):				
Title I, Part A, Basic Grants	84.010	14329		8,718,410
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	23900		19,030
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		1,779,864
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		63,950
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084		746,390
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		1,695,240
Title VI, Flexibility & Accountability - Standardized Testing	84.369	14364		83,560
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332		86,853
Carl D. Perkins Career and Technical Education: Secondary Sec 131	84.048	14894		265,547
Passed through Riverside County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	7,012,395	
Local Assistance, Part B, Private School	84.027	10115	11,042	
Local Assistance, Part B, Early Intervening Services	84.027	10119	30,000	
Preschool Grants, Part B, Sec 619	84.173	13430	180,654	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	308,678	
Mental Health Allocation Plan, Part B	84.027A	14468	112,164	
Preschool Staff Development, Part B	84.173A	13431	1,040	
Subtotal Special Education Cluster (IDEA)				7,655,973
Early Intervention Grants	84.181	24314		129,167
Total U.S. Department of Education				21,977,442
U.S. Department of Health & Human Services:				
Child Development: Federal Child Care, Center-based	93.596	13609		72,828
Passed through Riverside County Office of Education (RCOE):				
Head Start	93.600	10016		1,009,430
Passed through California Department of Health Services:				
Medi-Cal Billing Option	93.778	10013		952,605
Total U.S. Department of Health & Human Services				2,034,863
Total Expenditures of Federal Awards				$ 41,492,577

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2014

Charter School	Included in Financial Statements
Riverside Gateway to College Early College High School*	Not included
REACH Leadership Academy	Not included

*Closed as of February 1, 2014

RIVERSIDE UNIFIED SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

For the Fiscal Year Ended June 30, 2014

	General Fund
June 30, 2014, annual financial and budget report fund balance	$ 81,946,464
Adjustment:	
Increase in total fund balanaces	
LCFF State aid understated	3,392,130
June 30, 2014, audited financial statement fund balance	$ 85,338,594

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Balance Sheet - Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS										
Cash	$ 4,024,237	$ 346,729	$ 4,938,464	$ 4,433,184	$ 6,427,753	$ 13,646,850	$ -	$ 6,821,518	$ 575,682	$ 41,214,417
Investments	-	-	-	-	-	-	5,522,534	-	1,340,839	6,863,373
Accounts receivable	511,224	234,936	3,023,744	101,600	6,156	100,389	-	-	524	3,978,573
Due from other funds	481	74	13,482	177,949	-	-	-	-	-	191,986
Inventories	-	-	307,387	-	-	-	-	-	-	307,387
Total Assets	$ 4,535,942	$ 581,739	$ 8,283,077	$ 4,712,733	$ 6,433,909	$ 13,747,239	$ 5,522,534	$ 6,821,518	$ 1,917,045	$ 52,555,736
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	$ 316	$ 13,197	$ 407,106	$ 1,200,831	$ 821,791	$ 84,063	$ -	$ -	$ -	$ 2,527,304
Due to other funds	4,535,626	568,542	752,277	8,957	-	3,461	781,460	-	-	6,650,323
Total Liabilities	4,535,942	581,739	1,159,383	1,209,788	821,791	87,524	781,460	-	-	9,177,627
Fund Balances										
Nonspendable	-	-	331,382	-	-	-	-	-	-	331,382
Restricted	-	-	6,792,312	3,502,945	5,612,118	13,659,715	4,741,074	6,821,518	1,917,045	43,046,727
Total Fund Balances	-	-	7,123,694	3,502,945	5,612,118	13,659,715	4,741,074	6,821,518	1,917,045	43,378,109
Total Liabilities and Fund Balances	$ 4,535,942	$ 581,739	$ 8,283,077	$ 4,712,733	$ 6,433,909	$ 13,747,239	$ 5,522,534	$ 6,821,518	$ 1,917,045	$ 52,555,736

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2014

REVENUES	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Federal sources	$ 704,596	$ 72,828	$ 17,181,538	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,958,962
Other state sources	-	1,998,619	1,233,488	-	-	6,097,600	1,613,113	-	118,817	-	11,061,637
Other local sources	-	75,418	2,960,647	-	1,070,142	16,532	135,055	291	10,625,803	3,072	14,886,960
Total Revenues	704,596	2,146,865	21,375,673	-	1,070,142	6,114,132	1,748,168	291	10,744,620	3,072	43,907,559
EXPENDITURES											
Current:											
Instruction:	622,625	1,794,050	-	-	-	-	-	-	-	-	2,416,675
Supervision of instruction	-	296,016	-	-	-	-	-	-	-	-	296,016
School site administration	34,641	-	-	-	-	-	-	-	-	-	34,641
Pupil support services:											
Food services	-	3,845	18,681,305	-	-	-	-	-	-	-	18,685,150
All other pupil services	47,330	47,197	-	-	-	-	-	-	-	-	94,527
General administration services:											
Other general administration	-	-	-	-	117,085	-	-	-	-	-	117,085
Plant services	-	-	287,692	-	-	-	-	-	-	-	287,692
Transfers of indirect costs	-	88,198	743,238	-	-	-	-	-	-	-	831,436
Capital Outlay	-	-	438,405	-	240,595	2,815,276	409,934	-	-	-	3,904,210
Debt Service:											
Principal	-	-	-	-	-	-	-	-	3,995,000	705,000	4,700,000
Interest	-	-	-	-	-	-	-	-	6,729,204	595,807	7,325,011
Total Expenditures	704,596	2,229,306	20,150,640	-	357,680	2,815,276	409,934	-	10,724,204	1,300,807	38,692,443
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(82,441)	1,225,033	-	712,462	3,298,856	1,338,234	291	20,416	(1,297,735)	5,215,116
OTHER FINANCING SOURCES (USES)											
Interfund transfers in	-	82,441	-	-	177,949	564,078	7,092,595	-	-	1,291,000	9,208,063
Interfund transfers out	(4,341,984)	-	-	(1,427,168)	-	(1,577,212)	(1,014,318)	(1,960,153)	-	-	(10,320,835)
Total Other Financing Sources and Uses	(4,341,984)	82,441	-	(1,427,168)	177,949	(1,013,134)	6,078,277	(1,960,153)	-	1,291,000	(1,112,772)
Net Change in Fund Balances	(4,341,984)	-	1,225,033	(1,427,168)	890,411	2,285,722	7,416,511	(1,959,862)	20,416	(6,735)	4,102,344
Fund Balances, July 1, 2013	4,341,984	-	5,898,661	1,427,168	2,612,534	3,326,396	6,243,204	6,700,936	6,801,102	1,923,780	39,275,765
Fund Balances, June 30, 2014	$ -	$ -	$ 7,123,694	$ -	$ 3,502,945	$ 5,612,118	$ 13,659,715	$ 4,741,074	$ 6,821,518	$ 1,917,045	$ 43,378,109

NOTE 1 – PURPOSE OF SCHEDULES

Individual Combining Financial Statements
Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement as reduced by Education Code section 46201.2(a).

Schedule of Financial Trends and Analysis
This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients
Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Other Independent Auditors' Reports

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Riverside Unified School District
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Riverside Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Riverside Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Riverside Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Riverside Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE
MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (510) 588-8832 • F: (510) 588-8701
www.nncpas.com • Licensed by the California Board of Accountancy

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Riverside Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

Riverside Unified School District's Response to Finding
Riverside Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro+Nigro, PC

Murrieta, California
December 1, 2014

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Riverside Unified School District
Riverside, California

Report on Compliance for State Programs
We have audited Riverside Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14,* published by the Education Audit Appeals Panel, for the year ended June 30, 2014. Riverside Unified School District's state programs are identified below.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Riverside Unified School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Riverside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of Riverside Unified School District's compliance.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (510) 588-8832 • F: (510) 588-8701

www.nncpas.com • Licensed by the California Board of Accountancy

Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform testing for California Clean Energy Jobs Act because the District had no expenditures for this program in 2013-14.

Opinion on Compliance with State Programs

In our opinion, Riverside Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

District's Response to Finding

Riverside Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Nigro+Nigro, PC

Murrieta, California
December 1, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Riverside Unified School District
Riverside, California

Report on Compliance for Each Major Federal Program

We have audited Riverside Unified School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Riverside Unified School District's major federal programs for the year ended June 30, 2014. Riverside Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Riverside Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Riverside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Riverside Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Riverside Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
EMERYVILLE OFFICE 1900 Powell Street, Suite 600, Emeryville, CA 94608 • P: (510) 588-8832 • F: (510) 588-8701

www.nncpas.com • Licensed by the California Board of Accountancy

Report on Internal Control Over Compliance
Management of Riverside Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Riverside Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nigro + Nigro, PC

Murrieta, California
December 1, 2014

Findings and Questioned Costs

(This page intentionally left blank)

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants
84.367	Title II, Part A, Improving Teacher Quality
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,244,777
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2013-14.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2013-14.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2014-1: Teacher Credentials (71000)

Criteria: Any teacher that is assigned to teach a class in which more than 20 percent of the pupils were English learners must be authorized to instruct Limited-English-Proficient (LEP) pupils pursuant to the provisions of Education Code Section 44253.3, 44253.4, or 44253.10.

Condition: Our sample of teachers selected for testing included one that lacked the appropriate credentials to instruct LEP pupils.

Cause: The teacher completed the required coursework, but failed to submit the appropriate documentation.

Effect: The District is out of compliance with this requirement.

Recommendation: We recommend that the District create a process to ensure all teachers who teach Limited English Proficient students have the proper credential on file.

District Response: The District agrees with finding and recommendation 2014-1. The District has reviewed the specific data relative to this finding and is in the process of bringing the teacher into compliance through an emergency CLAD permit, and a plan to complete requirements for the CLAD permit. The District's process to prevent this type of occurrence is to identify teachers who are required to meet this requirement, meet with the teachers, assist the teachers in obtaining an emergency CLAD permit to cover the specific assignment generating the requirement, and developing an individual plan for completion to obtain the appropriate permanent authorization.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

There were no findings or questioned costs in 2013-14.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the Riverside Unified School District (the "Issuer"), in connection with the issuance and delivery of its $48,810,000 2015 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer adopted on May 4, 2015 (the "Resolution"). The Issuer covenants as follows:

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

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

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

"Disclosure Representative" shall mean the Superintendent of the Issuer, Deputy Superintendent, Business Services and Governmental Relations of the Issuer or either of their designees, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has been filed with the Dissemination Agent a written acceptance of such designation.

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

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

"Repository" shall mean the Electronic Municipal Market Access System of 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.

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than March 1 after the end of the Issuer's Fiscal Year, commencing with the report for the Fiscal Year ending June 30, 2015, 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 include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The Issuer's Fiscal Year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the Repository and the Paying Agent and the Dissemination Agent of a change in the Fiscal Year dates. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent (if the Issuer is not the Dissemination Agent) shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) (i) The audited financial statements of the Issuer for the most recent Fiscal Year of the Issuer then ended; (ii) the most recently adopted budget of the Issuer and, if required to be prepared and filed, the First Interim Report for the then current Fiscal Year; and (iii) an update of the information contained in Tables 1 through 4 and 12 contained under the headings "TAX BASE FOR REPAYMENT OF THE 2015 BONDS" and "DISTRICT FINANCIAL MATTERS" in the Official Statement for the Bonds. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) 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 Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

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

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

1. non-payment related defaults.

2. modifications to rights of Noteholders.

3. optional, contingent or unscheduled note calls.

4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.

5. release, substitution or sale of property securing repayment of the Notes.

6. 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.

7. Appointment of a successor or additional trustee or paying agent with respect to the Notes 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(c) 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 obligations of the Issuer 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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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

SECTION 8. Amendment. (a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Certificate may be amended, by written agreement of the parties, upon obtaining consent of Owners at least 25% of the outstanding Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that neither the Paying Agent or the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Certificate, any 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 Issuer 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 Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Paying Agent and Dissemination Agent. The Dissemination Agent (if other than the Issuer) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent and 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the

Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond holders, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

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

Dated: June 17, 2015

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: ______________________________

Its: Deputy Superintendent, Business Services and Governmental Relations

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Riverside Unified School District
Name of Bond Issue:	$48,810,000 2015 Riverside Unified School District General Obligation Refunding Bonds
Date of Issuance:	June 17, 2015

NOTICE IS HEREBY GIVEN that the Riverside Unified School District (the "School District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Certificate dated June 1, 2015. [The School District anticipates that the Annual Report will be filed by ________.]

Dated: _________

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: ____
Its: Deputy Superintendent, Business Services and Governmental Relations

cc: Issuer

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE DISTRICT

The following information concerning the City of Riverside (the "City"), the County of Riverside (the "County") and the State of California (the "State") is presented as general background information. The Bonds are not an obligation of the City, the County or the State and the taxing the power of the City, the County and the State are not pledged to the payment of the Bonds.

The District has not independently verified the information set forth in this Appendix E and while this information is believed to be reliable, it is not guaranteed as to accuracy by the District.

General

The City is the county seat of the County and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 20 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the County and the County of San Bernardino and comprise the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The MSA represents an important economic area of the State and of Southern California. It lies to the west and south respectively of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

The County and San Bernardino County cover 27,400 square miles, a land area larger than the State of Virginia. With a population of over 3.2 million, the area ranks as one of the largest MSAs in the United States. The County alone is larger than the State of New Jersey. The MSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Population

The following table offers population figures for the City, the County and the State for 2010 through 2014.

Area	***2010***	***2011***	***2012***	***2013***	***2014***
City of Riverside	302,597	306,069	309,409	312,035	314,034
County of Riverside	2,179,692	2,205,731	2,234,209	2,255,653	2,279,967
State of California	37,223,900	37,427,946	37,668,804	37,984,138	38,340,074

Source: *State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2011-2014 with 2010 Census Benchmark.* Sacramento, California, May 2014

State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, November 2012

Construction Activity

The following tables show building permit valuations and new housing units in the City and the County for 2009 through 2013.

CITY OF RIVERSIDE
Building Permit Valuation and New Housing Units

	2009	*2010*	*2011*	*2012*	*2013*
Residential					
Single Family	$ 15,420,400	$ 27,882,400	$ 8,676,183	$ 48,826,193	$ 18,687,048
Multi-Family	1,711,300	23,278,400	26,763,741	15,419,047	4,442,191
Alteration/Additions	6,812,300	7,603,400	8,049,228	9,099,847	7,516,866
Total	$ 23,944,000	$ 58,764,200	$ 43,489,152	$ 73,345,087	$ 30,646,105
Non-Residential					
New Commercial	$ 16,667,400	$ 42,753,600	$ 14,817,909	$ 0	$ 29,511,234
New Industry	0	0	0	1,541,485	1,638,334
Other[1]	7,370,900	9,051,800	17,708,403	44,862,444	24,871,078
Alteration/Additions	21,845,000	35,463,300	57,824,225	6,602,663	59,540,378
Total	$ 45,883,300	$ 87,268,700	$ 90,350,537	$ 53,006,592	$ 115,561,024
Total All Industry	$ 69,827,300	$ 146,032,900	$ 133,839,689	$ 126,351,679	$ 146,207,129
New Housing Units					
Single Family Units	56	107	43	193	70
Multi-Family Units	23	266	236	168	51
Total	79	373	279	361	121

(1) Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.
(2) May not add up due to rounding.
Source: Construction Industry Research Board.

COUNTY OF RIVERSIDE
Building Permit Valuation and New Housing Units

	2009	*2010*	*2011*	*2012*	*2013*
Residential					
Single Family	$ 892,790,000	$ 914,057,400	$ 647,070,800	$ 904,156,201	$ 1,138,738,066
Multi-Family	75,756,100	71,151,900	113,170,385	87,878,567	138,636,043
Alteration/Additions	85,148,000	94,427,500	119,707,512	87,370,464	98,219,314
Total	$1,053,694,100	$ 1,079,636,800	$ 879,948,697	$ 1,079,405,232	$ 1,375,593,423
Non-Residential					
New Commercial	$ 94,651,400	$ 191,323,700	$ 150,711,906	$ 347,167,537	$ 162,377,652
New Industry	12,277,600	6,685,500	10,000,000	26,432,539	141,184,434
Other(1)	107,332,100	98,104,600	101,340,709	112,731,771	116,935,986
Alteration/Additions	162,557,500	243,265,500	297,356,408	171,263,206	369,502,364
Total	$ 376,818,700	$ 539,379,400	$ 559,409,023	$ 657,595,053	$ 790,000,436
Total All Industry	$1,430,516,000	$ 1,619,019,000	$ 1,439,357,720	$ 1,737,000,285	$ 2,165,593,859
New Housing Units					
Single Family Units	3,431	4,031	2,659	3,720	4,716
Multi-Family Units	759	526	1,061	909	1,427
Total	4,190	4,557	3,720	4,629	6,143

(1) Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.
(2) May not add up due to rounding.
Source: Construction Industry Research Board.

Employment

The following table sets forth the major employers located in the County as of the fiscal year ending June 30, 2014.

LARGEST EMPLOYERS

Rank	*Name of Business*	*No. of Employees in Riverside County*	*Type of Business*
1	County of Riverside	19,916	County Government
2	March Air Reserve Base	8,500	Military Reserve Base
3	Stater Bros. Markets	6,900	Supermarkets
4	University of California, Riverside	5,514	University
5	Kaiser Permanente Riverside Medical Center	5,270	Hospital
6	Pechanga Resort & Casino	4,500	Casino & Resort
7	Corona Norco Unified School District	4,300	School District
8	Wal-Mart	4,068	Retailer
9	Riverside Unified School District	4,000	School District
10	Hemet Unified School District	3,572	School District

Source: County of Riverside ‘Comprehensive Annual Financial Report’ for the fiscal year ending June 30, 2014.

Employment and Industry

The Riverside-San Bernardino-Ontario Metropolitan Statistical Area, as defined for reporting purposes by the California Employment Development Department, has boundaries coterminous with those of Riverside and San Bernardino Counties. The following tables set forth certain employment data for the Riverside - San Bernardino-Ontario Metropolitan Statistical Area and the County.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2009 through 2014.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2009	*2010*	*2011*	*2012*	*2013*	*2014*
Civilian Labor Force	1,776,000	1,865,800	1,866,200	1,882,900	1,897,000	1,922,900
Civilian Employment	1,542,100	1,610,200	1,623,100	1,665,600	1,710,500	1,766,300
Civilian Unemployment	233,800	255,500	243,100	217,300	186,500	156,600
Civilian Unemployment Rate	13.2%	13.7%	13.0%	11.5%	9.8%	8.1%
Total Farm	14,900	15,000	14,900	15,000	14,500	14,300
Total Nonfarm	1,163,200	1,144,700	1,148,000	1,180,300	1,231,900	1,285,100
Total Private	928,000	910,400	920,600	955,700	1,006,700	1,056,400
Goods Producing	157,900	145,900	145,200	150,500	158,600	168,500
Natural Resources and Mining	1,100	1,000	1,000	1,200	1,200	1,300
Construction	68,000	59,700	59,100	62,600	70,000	77,000
Manufacturing	88,800	85,200	85,100	86,700	87,300	90,200
Service Providing	1,005,400	998,900	1,002,800	1,029,800	1,073,300	1,116,700
Trade, Transportation and Utilities	272,000	270,900	276,500	288,500	300,600	315,000
Wholesale Trade	49,000	48,700	49,200	52,200	56,400	59,000
Retail Trade	156,200	155,500	158,500	162,400	164,800	168,700
Transportation, Warehousing and Utilities	66,800	66,600	68,800	73,900	79,400	87,300
Information	14,100	14,000	12,200	11,700	11,500	11,200
Financial Activities	42,500	41,000	39,900	40,900	42,200	42,700
Professional and Business Services	125,300	123,600	126,000	127,500	132,400	137,800
Educational and Health Services	155,000	154,100	157,600	167,200	184,500	193,600
Leisure and Hospitality	123,800	122,800	124,000	129,400	135,900	144,300
Other Services	37,300	38,200	39,100	40,100	40,100	43,200
Government	235,200	234,300	227,500	224,600	225,200	228,800
Total, All Industries	1,178,100	1,159,700	1,162,900	1,195,300	1,246,400	1,299,500

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix B.

Source: State of California, Employment Development Department, March 2014 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the years 2009 through 2014 for the City, the County, the State and the nation as a whole.

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment

Year and Area	*Labor Force*	*Employment* [(1)]	*Unemployment* [(2)]	*Unemployment Rate (%)* [(3)]
2009				
City of Riverside	161,300	139,500	21,800	13.5%
Riverside County	917,000	794,400	122,800	13.4
California	18,220,100	16,155,000	2,065,100	11.3
United States[(4)]	154,142,000	139,877,000	14,265,000	9.3
2010				
City of Riverside	141,000	122,300	18,700	13.3%
Riverside County	976,200	841,100	135,200	13.8
California	18,336,300	16,091,900	2,244,300	12.2
United States[(4)]	153,889,000	139,064,000	14,825,000	9.6
2011				
City of Riverside	141,400	123,500	17,800	12.6%
Riverside County	978,200	849,400	128,800	13.2
California	18,419,500	16,260,100	2,159,400	11.7
United States[(4)]	153,617,000	139,869,000	13,747,000	8.9
2012				
City of Riverside	143,000	127,100	16,000	11.2%
Riverside County	989,100	873,900	115,200	11.6
California	18,554,800	16,630,100	1,924,700	10.4
United States[(4)]	154,975,000	142,469,000	12,506,000	8.8
2013				
City of Riverside	144,500	130,900	13,700	9.5%
Riverside County	998,600	899,800	98,800	9.9
California	18,671,600	17,002,900	1,668,700	8.9
United States[(4)]	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Riverside	146,500	135,000	11,500	7.9%
Riverside County	1,011,500	928,200	83,400	8.2
California	18,811,400	17,397,100	1,414,300	7.5
United States[(4)]	155,922,000	146,305,000	9,617,000	6.2

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.
Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

PERSONAL INCOME
Riverside County
2001-2013
(Dollars in Thousands)

Year	***Riverside County***	***Annual Percent Change***
2001	$41,738,504	--
2002	43,976,839	5.36
2003	47,637,097	8.32
2004	51,612,837	8.35
2005	55,892,377	8.29
2006	61,110,773	9.34
2007	64,194,014	5.05
2008	65,140,132	1.47
2009	63,652,627	(2.28)
2010	65,219,337	2.46
2011	69,757,415	6.96
2012	73,685,111	5.63
2013	76,289,477	3.53

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

The following tables summarizes per capita personal income for Riverside County, California and the United States for 2001-2013. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2001-2013

Year	*Riverside County*	*California*	*United States*
2001	$25,818	$34,066	$31,524
2002	26,066	34,229	31,800
2003	26,888	35,303	32,677
2004	27,801	37,156	34,300
2005	28,933	38,964	35,888
2006	30,368	41,623	38,127
2007	30,934	43,152	39,804
2008	30,876	43,608	40,873
2009	29,651	41,587	39,379
2010	29,612	42,282	40,144
2011	31,196	44,749	42,332
2012	32,534	47,505	44,200
2013	33,278	48,434	44,765

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

Retail Sales

The table below presents the County's retail permits and transactions for the years 2008 through 2013.

COUNTY OF RIVERSIDE
Taxable Transactions for Years 2008 through 2013
(in Thousands)

	Retail Permits	*Retail Stores Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2008	23,604	$18,689,249	46,272	$26,003,595
2009	29,829	16,057,488	42,765	22,227,877
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

Source: California State Board of Equalization.

The table below presents the City's retail permits and transactions for the years 2008 through 2013.

CITY OF RIVERSIDE
Taxable Transactions for Years 2008 through 2013
(in Thousands)

	Retail Permits	***Retail Stores Taxable Transactions***	***Total Permits***	***Total Outlets Taxable Transactions***
2008	3,889	$3,209,083	7,578	$4,093,218
2009	5,033	2,734,550	7,202	3,500,514
2010	5,690	2,889,292	7,907	3,692,302
2011	5,764	3,144,537	8,066	4,019,127
2012	6,196	3,348,220	8,484	4,238,975
2013	5,436	3,580,926	7,673	4,612,948

Source: California State Board of Equalization.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2015 Bonds, payment of principal, premium, if any, accreted value and interest on the 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2015 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2015 Bonds. The 2015 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 will be issued for each annual maturity of the 2015 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bond ("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 2015 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 bonds representing their ownership interests in the 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 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.

5. 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 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.

6. Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 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 Authority 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the 2015 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 Authority or the Trustee, 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

9. A 2015 Bond Owner shall give notice to elect to have its 2015 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2015 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2015 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2015 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2015 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2015 Bonds to the Trustee's DTC account.

10. DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2015 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2015 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

COUNTY OF RIVERSIDE POOLED INVESTMENT FUND

The following information concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District. The District has not made an independent investigation of the investments in the Investment Pool and has made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, the District does not make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at https://www.countytreasurer.org/; however, the information presented on such website is not incorporated herein by any reference.

[REMAINDER OF PAGE LEFT BLANK]

(THIS PAGE INTENTIONALLY LEFT BLANK)

COUNTY OF RIVERSIDE POOLED INVESTMENT FUND

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of April 30, 2015, the portfolio assets comprising the PIF had a market value of $6,834,465,478.09.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2014, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The County Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 76.92% of the funds on deposit in the County Treasury, while approximately 23.08% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2014 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Treasurer's Pooled Investment Fund as of April 30, 2015 were as follows:

U.S. Treasury Securities	435,092,578.15	6.37%
Federal Agency Securities	4,191,330,637.43	61.34%
Cash Equivalent & Money Market Funds	1,159,000,000.00	16.96%
Commercial Paper	670,179,709.79	9.81%
Medium Term Notes		
Municipal Notes	127,285,828.71	1.86%
Certificates of Deposit		
Repurchase Agreements	250,000,000.00	3.66%
Local Agency Obligations [1]	395,000.00	0.01%
	$6,833,283,754.08	100.00%

Book Yield	0.40%
Weighted Average Maturity (years)	1.04

[1] Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of April 30, 2015, the market value of the PIF was 100.02% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. This Policy is being issued under and pursuant to, and shall be construed under and governed by, the laws of the State of New York, without regard to conflict of law provisions. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By ______________________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-235-5214 (attention: Claims)

(THIS PAGE INTENTIONALLY LEFT BLANK)