

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

517A



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
April 28, 2011

SUBJECT: Resolution No. 2011-104 – Alvord Unified School District General Obligation Bonds, 2007 Election, Series B (Vote on Separately)

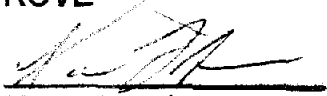
RECOMMENDED MOTION: That your Honorable Board approve and adopt Resolution No. 2011-104 supplementing Resolution No. 2010-317, rescinding Resolution No. 2011-052, and authorizing the issuance and sale of general obligation bonds on behalf of Alvord Unified School District (the "District") in a principal amount not to exceed \$60,000,000.

BACKGROUND: California law requires that the general obligation bonds of a school district be offered for sale by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over the district and when the district wishes to offer its bonds via a negotiated sale. Although a board of supervisors is authorized to opt out of that requirement, your Honorable Board has not adopted the necessary enabling resolution. At the same time the County Treasurer has taken the position that school districts should not be negotiating the sale of bonds without his participation.
(Continued on page two)


Don Kent, Treasurer-Tax Collector

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY: 
Karen L. Johnson
County Executive Office Signature

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: District: 1&2 Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.35

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 4/28/11
DATE: 4/28/11
Departmental Concurrence

Date: April 28, 2011
From: Treasurer-Tax Collector
Subject: Resolution No. 2011-104
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The Riverside County Superintendent of Schools has jurisdiction over the Alvord Unified School District which is planning to issue and sell bonds via a negotiated sale. Therefore the Education Code provides that the Riverside County Board of Supervisors is responsible for issuing and selling these District bonds, via a negotiated sale, on behalf of the District. To that end, the District's Board of Trustees adopted its resolution number 42 requesting this Board to sell the District's general obligation bonds, 2007 Election Series B ("the Series B Bonds") in an aggregate principal amount not to exceed \$60,000,000.

An election was held on November 6, 2007, pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A and subdivision (b) of Section 18 of Article XVI of the California Constitution and Section 15266 of the Education Code which codifies, in part, Proposition 39. During that election, a measure authorizing the District to incur general obligation bonded indebtedness in an aggregate principal amount not to exceed \$196,000,000 was approved by more than 55% of the qualified voters voting on the measure. Furthermore, in response to the District's request, on January 12, 2011 the State Board of Education granted the District a waiver of certain bonding capacity limitations set forth in the Education Code.

By adopting Resolution No. 2010-317, this Board previously authorized the issuance and sale of the Series B Bonds. Resolution No. 2010-317 authorized the issuance and sale of Series B Bonds in an aggregate principal amount not to exceed \$40,000,000. However, the District has requested this Board to supplement Resolution No. 2010-317 to authorize an aggregate principal amount of \$60,000,000 of Series B Bonds.

In addition, upon request of the District Board, this Board adopted Resolution No. 2011-052 which authorized the issuance and sale of Alvord Unified School District General Obligation Bonds, 2007 Election, Series C (the "Series C Bonds") in an aggregate principal amount not to exceed \$20,000,000. However, the District has now rescinded its request for the Board to issue the Series C Bonds and accordingly requests that this Board rescind Resolution No. 2011-052.

Resolution No. 2011-104 supplements Resolution No. 2010-317 to increase the authorized aggregate principal amount of the Series B Bonds to \$60,000,000 while also rescinding Resolution No. 2011-052 which previously authorized the Series C Bonds.

The District previously issued its 2009 General Obligation Bond Anticipation Notes of Alvord Unified School District (the "2009 Notes") in the principal amount of \$60,000,000. A portion of the proceeds of the Series B Bonds will be used to pay and defease a portion of the 2009 Notes. Accordingly, the proceeds of the Series B Bonds will be used to refinance various District projects.

The Series B Bonds represent general obligations of the District; the Series B Bonds do not constitute a debt or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Series B Bonds.

The Office of County Counsel has reviewed Resolution No. 2011-104 and has approved it as to form.

RESOLUTION NO. 2011-104

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY, STATE OF CALIFORNIA, SUPPLEMENTING COUNTY RESOLUTION NO. 2010-317, PROVIDING FOR THE ISSUANCE AND SALE OF ALVORD UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, 2007 ELECTION, SERIES B, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED SIXTY MILLION DOLLARS (\$60,000,000) MAKING RELATED FINDINGS AND DETERMINATIONS, RESCINDING RESOLUTION NO. 2011-052 AND TAKING RELATED ACTIONS

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RESOLUTION NO. 2011-104

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY, STATE OF CALIFORNIA, SUPPLEMENTING COUNTY RESOLUTION NO. 2010-317, PROVIDING FOR THE ISSUANCE AND SALE OF ALVORD UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, 2007 ELECTION, SERIES B, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED SIXTY MILLION DOLLARS (\$60,000,000) MAKING RELATED FINDINGS AND DETERMINATIONS, RESCINDING RESOLUTION NO. 2011-052 AND TAKING RELATED ACTIONS

WHEREAS, the Alvord Unified School District ("District") is a public unified school district located within the boundaries of the County of Riverside ("County"), State of California ("State"); and is duly organized and operating pursuant to the Constitution and the laws of the State; and

WHEREAS, pursuant to a referenced voter authorization and Government Code Section 53506 et seq., including Government Code Section 53508.7(c) and, as applicable, Education Code Sections 15100 et seq., and 15266, the Board of Education of the Alvord Unified School District ("School Board") adopted its Resolution No. 17 on November 18, 2010 ("District Resolution No. 17"), a certified copy of which has been received by the County Board, requesting the County Board to issue a series of such authorized bonds, designated the "Alvord Unified School District General Obligation Bonds, 2007 Election, Series B" in an aggregate principal amount not to exceed \$40,000,000 ("Series B Bonds"); and

WHEREAS, following receipt of District Resolution No. 17, this County Board of Supervisors ("County Board") adopted Resolution No. 2010-317 on November 18, 2010 ("County Resolution No. 2010-317"), providing for the terms and conditions for the sale and delivery of the Series B Bonds; and

FORM APPROVED COUNTY COUNSEL
BY: *Wendy H. Gardner*
DALE A. GARDNER
DATE: 1/26/11

1 **WHEREAS**, the terms, provisions and defined terms set forth in Resolution No. 2010-
2 317 are incorporated herein by this reference; and

3
4 **WHEREAS**, the School Board has adopted Resolution No. 42 on April 21, 2011
5 (“District Resolution No. 42”), a certified copy of which has been received by this County
6 Board, in which the District supplemented District Resolution No. 17, provided for certain
7 amendments with regard to the issuance and sale of the Series B Bonds, and has requested the
8 County to supplement County Resolution No. 2010-317; and

9
10 **WHEREAS**, pursuant to the Authorization and Government Code Section 53506 et. seq.,
11 including Government Code Section 53508.7(c), and, as applicable, Education Code Sections
12 15100 et. seq., and 15266, the School Board adopted its District Resolution No. 30 on February
13 10, 2011, (“District Resolution No. 30”), a certified copy of which has been received by this
14 County Board requesting the County Board to issue a series of authorized bonds, designated the
15 “Alvord Unified School District General Obligation Bonds, 2007 Election, Series C” in an
16 aggregate principal amount not to exceed \$20,000,000 (“Series C Bonds”); and

17
18 **WHEREAS**, following receipt of District Resolution No. 30, this County Board adopted
19 Resolution No. 2011-052 on February 16, 2011 (“County Resolution No. 2011-052”); and

20
21 **WHEREAS**, as part of District Resolution No. 42, the District has rescinded District
22 Resolution No. 30, and this County Board has determined that, based upon such rescission, it is
23 appropriate to act to rescind County Resolution No. 2011-052; and

24
25 **WHEREAS**, based upon the receipt of District Resolution No. 42, this County Board
26 desires to adopt this Resolution for the purposes set forth herein.

1 **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS**
2 **OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS FOLLOWS:**

3
4 **SECTION 1. Recitals; Incorporation of School Board Resolution.** The foregoing
5 recitals are true and correct and are incorporated herein by this reference. The District
6 Resolution No. 42, adopted on April 21, 2011, together with the exhibits thereto, is on file with
7 this County Board and is incorporated herein by reference and all of the provisions thereof are
8 made a part hereof and shall be applicable to the sale and delivery of the Series B Bonds, except
9 as otherwise specified herein.

10
11 **SECTION 2. Supplement to County Resolution No. 2010-317; Incorporation of**
12 **Definitions.**

13 (a) This Resolution shall act to supplement and amend County Resolution No. 2010-
14 317 as set forth herein. Except as expressly supplemented or amended herein, the terms,
15 conditions and provisions of County Resolution No. 2010-317 shall remain in force and effect.

16 (b) The provisions of County Resolution No. 2010-317 are incorporated herein by
17 this reference.

18 (c) Except as otherwise set forth herein, the defined terms set forth in County
19 Resolution No. 2010-317 shall have the same meaning(s) herein as are ascribed thereto in
20 County Resolution No. 2010-317.

21
22 **SECTION 3. Revision of Par Amount for Series B Bonds.** The sale and delivery of
23 the Series B Bonds, as set forth in County Resolution No. 2010-317, as supplemented hereby,
24 shall be revised to a not to exceed amount of \$60,000,000. All references within Resolution No.
25 2010-317 to the not to exceed par amount or aggregate principal amount of the Series B Bonds,
26 including all related documents, shall be amended to conform to a figure of \$60,000,000.
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1 (a) The caption of Resolution No. 2010-317 is amended in its entirety to read as
2 follows:

3 "RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE
4 COUNTY, STATE OF CALIFORNIA, PROVIDING FOR THE ISSUANCE
5 AND SALE OF ALVORD UNIFIED SCHOOL DISTRICT GENERAL
6 OBLIGATION BONDS, 2007 ELECTION, SERIES B, IN THE AGGREGATE
7 PRINCIPAL AMOUNT OF NOT TO EXCEED SIXTY MILLION DOLLARS
8 (\$60,000,000) PRESCRIBING THE TERMS OF THE BONDS AND THEIR
9 SALE; APPROVING FORM AND AUTHORIZING EXECUTION AND
10 DELIVERY OF A BOND PURCHASE AGREEMENT; AUTHORIZING
11 EXECUTION OF NECESSARY DOCUMENTS; MAKING RELATED
12 FINDINGS AND DETERMINATIONS AND TAKING RELATED ACTIONS"

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15 (b) Section 5 of Resolution No. 2010-317 is amended in its entirety to read as
16 follows:

17 "SECTION 5. Approval of Purchase Agreement. The Series B Bonds will be
18 sold at negotiated sale by the Treasurer pursuant to the terms and conditions set forth in
19 the Bond Purchase Agreement ("Purchase Agreement"), substantially in the form
20 appended hereto as Exhibit "A" and incorporated by reference herein. The form of the
21 Purchase Agreement is hereby approved and the Treasurer, or any designated deputy
22 thereof, is hereby authorized to execute and deliver the Purchase Agreement and the
23 Superintendent, or other Designated Officer (as defined herein) of the District, is hereby
24 requested to execute the Purchase Agreement, with such changes therein, deletion
25 therefrom and modification thereto as the Treasurer, or designated deputy thereof, and the
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1 District may approve, such approval to be conclusively evidenced by the execution and
2 delivery thereof; provided, however, that the principal amount of the Series B Bonds
3 shall be determined by the District (but in no event to exceed \$60,000,000), the term of
4 the Series B Bonds shall not exceed 40 years, the true interest cost of the Series B Bonds
5 shall not exceed ten (10%), and the Underwriter's discount, if any, shall not exceed one
6 percent (1.00%) of the principal amount of the Series B Bonds (exclusive of any
7 premium or original issue discount on the Series B Bonds, which original issue discount
8 shall not exceed one percent (1.00%)) (and further excluding any amount held by the
9 Underwriter to pay designated costs of issuance under the terms of the Purchase
10 Agreement). True interest cost for purposes of this Section means that nominal interest
11 rate that, when compounded semiannually and used to discount the debt service payments
12 on the Series B Bonds to the dated date(s) of the Series B Bonds, results in an amount
13 equal to the purchase price of the Series B Bonds, excluding interest accrued to the date
14 of delivery. For purposes of this calculation, the premium paid for the policy of
15 municipal bond insurance, if any, shall be treated as interest paid on the Series B Bonds
16 on the date of delivery. The Treasurer, or designated deputy thereof, is further authorized
17 to determine the principal or issue amount of the Series B Bonds of each maturity
18 (including any Capital Appreciation Bonds or Convertible Capital Appreciation Bonds)
19 to be specified in the Purchase Agreement for sale by the County, up to an aggregate
20 principal or issue amount of \$60,000,000, to determine, upon consultation with the
21 District, whether to purchase bond insurance, to modify redemption terms for the Series
22 B Bonds and to enter into and execute the Purchase Agreement, if the conditions set forth
23 in this Resolution are met.
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1 If, upon consultation with the Designated Officer (as defined below) of the
2 District, the District determines to acquire municipal bond insurance to secure the Series
3 B Bonds, the Treasurer may so provide in the Purchase Agreement.”
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6 **SECTION 4. Rescission of County Resolution No. 2011-052.** Based upon the
7 rescission of District Resolution No. 30, the County Board hereby directs that County Resolution
8 No. 2011-052 shall be rescinded as of the date of adoption of this Resolution.
9

10 **SECTION 5. Official Statement.** The District shall authorize, and shall be responsible
11 for, preparing a preliminary and final Official Statement for the Series B Bonds meeting the
12 requirements of Securities and Exchange Commission (“SEC”) Rule 15c2-12. Such preliminary
13 Official Statement and final Official Statement are collectively referred to herein as the “Official
14 Statement.” Neither the Board of Supervisors nor any officer of the County has prepared or
15 reviewed the Official Statement, and this Board of Supervisors and the various officers of the
16 County take no responsibility for the contents or distribution thereof; provided, however, that
17 solely with respect to one or more section(s) contained, or to be contained, therein describing the
18 County’s investment policy, current portfolio holdings, and valuation procedures, as they may
19 relate to funds of the District held by the Treasurer, the Treasurer is hereby authorized and
20 directed to prepare and review such information for inclusion in the District’s Official Statement
21 and in preliminary Official Statement, and to certify to the District prior to or upon the issuance
22 of the Series B Bonds that the information contained in such section(s) does not contain any
23 untrue statement of a material fact or omit to state any material fact necessary in order to make
24 the statements made therein, in the light of the circumstances under which they are made, not
25 misleading.
26

27 **SECTION 6. Directives as to District Findings and Determinations.**

28 (a) The District Resolution No. 42 includes certain findings and determinations as to
certain factual and legal matters as set forth in Sections 7 and 8 of the District Resolution No. 42.

1 (b) The County Board hereby consents to the use of proceeds generated from the sale
2 of the Series B Bonds, including premium thereon, if any, for the payment and defeasance of the
3 2009 Notes (as defined in the District Resolution Nos. 17 and 42), including payment of the
4 principal amount and interest on the outstanding 2009 Notes, pursuant to the provisions of
5 Education Code Sections 15150(c) and (d).
6

7 **SECTION 7. Conditions Precedent.** This County Board determines that all acts and
8 conditions necessary to be performed by the County precedent to and in the issuing of the Series
9 B Bonds, in order to make them legal, valid and binding general obligations of the District have
10 been performed and have been met, or will at the time of delivery of the Bonds have been
11 performed and have been met, in regular and due form as required by law; that this County
12 Board has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and
13 the interest thereon without limitation as to rate or amount upon all property within the District
14 subject to taxation (except for certain classes of personal property); and that no statutory or
15 Constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of
16 the Series B Bonds.
17

18 **SECTION 8. Approval of Actions.** Officers of the County Board and County officials
19 and staff, including the Treasurer and the County Auditor-Controller, or their designee(s), are
20 hereby authorized and directed, jointly and severally, to do any and all things and to execute and
21 deliver any and all documents which they may deem necessary or advisable in order to proceed
22 with the issuance and sale of the Series B Bonds and otherwise carry out, give effect to and
23 comply with the terms and intent of this Resolution. Such actions heretofore taken by such
24 officers, officials and staff are hereby ratified, confirmed and approved.
25

26 **SECTION 9. Effective Date.** This Resolution shall take effect immediately upon
27 adoption.
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1 **SECTION 10. Clerk's Certificate.** The Clerk of the County Board is hereby directed
2 to provide certified copies of this Resolution to the Treasurer, the County Auditor-Controller and
3 Bond Counsel immediately following its adoption.

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1 The foregoing Resolution was on the ___ of _____, 2011, adopted by the Board
2 of Supervisors of the County of Riverside.

3
4 COUNTY OF RIVERSIDE:

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7 By: _____
8 Chairman

9
10 ATTEST:

11 Kecia Harper-Ihem, Clerk to the
12 Board of Supervisors of the
13 County of Riverside

14
15 By: _____
16 Deputy

RESOLUTION NO. 42

RESOLUTION OF THE BOARD OF EDUCATION OF THE ALVORD UNIFIED SCHOOL DISTRICT SUPPLEMENTING RESOLUTION NO. 17 PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$60,000,000 PRINCIPAL AMOUNT OF ALVORD UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, 2007 ELECTION, SERIES B; APPROVING OFFICIAL STATEMENT IN CONNECTION THEREWITH; AUTHORIZING ACTIONS IN CONNECTION WITH SUCH SUPPLEMENTAL APPROVAL; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; RESCINDING RESOLUTION NO. 30 OF THE ALVORD UNIFIED SCHOOL DISTRICT AND AUTHORIZING RELATED ACTIONS

WHEREAS, the Alvord Unified School District ("District" or "School District") is a public unified school district organized and operating within the County of Riverside ("County") pursuant to the laws of the State of California ("State"), including, but not limited to, the California Education Code; and

WEREAS, the Board of Education of the District ("District Board") previously adopted Resolution No. 17 on November 18, 2010 ("Resolution No. 17"), providing for the issuance and sale of the Alvord Unified School District General Obligation Bonds, 2007 Election, Series B ("Series B Bonds"), pursuant to the directives, findings and determinations set forth in Resolution No. 17, which is incorporated herein by this reference; and

WHEREAS, defined terms not otherwise defined herein shall have the meaning(s) ascribed thereto in Resolution No. 17; and

WHEREAS, following the adoption of Resolution No. 17 and submittal thereof to the County of Riverside ("County"), the County Board of Supervisors, pursuant to applicable State law, adopted Resolution No. 2010-317 on November 18, 2010, relating to the issuance and sale of the Series B Bonds ("County Resolution"); and

WHEREAS, as set forth within Resolution No. 17 and the County Resolution, proceeds of the Series B Bonds will be utilized to pay and redeem the outstanding 2009 Bond Anticipation Notes of the Alvord Unified School District ("2009 Notes"); and

WHEREAS, the District staff and District Board have reviewed the parameters for the issuance of the Series B Bonds and current financial and legal circumstances related thereto, and the District Board has determined that it is appropriate to supplement Resolution No. 17 with respect to the issuance, sale and use of proceeds of the Series B Bonds and to authorize the Series B Bonds to be issued in an amount not to exceed \$60,000,000; and

WHEREAS, the form of an updated Preliminary Official Statement (as defined within Resolution No. 17) relating to the Series B Bonds has been prepared and is being concurrently

presented to this District Board in connection with the issuance and sale of the Series B Bonds; and

WHEREAS, the District Board desires to make certain findings, and provide certain directives, with respect to the use of the proceeds of the Series B Bonds and the payment, redemption and defeasance of the 2009 Notes; and

WHEREAS, under the provisions of California law, unified school districts are authorized to incur a stated amount of bonded indebtedness through authorized general obligation bonds based on assessed value of property located within such unified school district's boundaries; and

WHEREAS, for various reasons, which have been presented to, and approved by, this District Board, the District has undertaken certain actions pursuant to State law to request and secure a waiver of the District's bonding capacity limitations in order to issue the Series B Bonds in an amount sufficient to pay and defease the remaining outstanding 2009 Notes; and

WHEREAS, the District Board has previously adopted Resolution No. 30 on February 10, 2011, providing for the issuance of not to exceed \$20,000,000 principal amount of Alvord Unified School District General Obligation Bonds, 2007 Election, Series C, and taking related actions ("Resolution No. 30"); and

WHEREAS, in light of the decision to supplement Resolution No. 17 and provide for the issuance of the Series B Bonds in an amount not to exceed \$60,000,000 the District Board hereby determines that it is appropriate to rescind Resolution No. 30; and

WHEREAS, subject to the findings, determinations and directives set forth herein, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including the Series B Bonds, is, or shall be at the time of issuance and sale of the Series B Bonds, within all limits prescribed by law; and

WHEREAS, based on the foregoing, the District Board has determined that it is appropriate to adopt this Resolution with respect to the issuance and sale of the Series B Bonds and the other matters set forth herein.

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE ALVORD UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 2. Conditions Precedent. The District Board determines that all acts and conditions necessary to be performed by the District Board or to have been met precedent to and in the issuing and sale of the Series B Bonds in order to make them legal, valid and binding general obligations of the District secured by the levy of ad valorem taxes have been performed

and have been met, or will at, or prior to, the time of delivery of the Series B Bonds have been performed and met, or shall have been performed and met, in regular and due form as required by law; that the County Board has the power and is obligated to levy ad valorem taxes for the payment of the Series B Bonds and the interest thereon without limitation as to rate or amount upon all property within the District subject to taxation (except for certain classes of personal property); and that no statutory or Constitutional limitation as to taxation will have been exceeded in the issuance of the Series B Bonds. The District Board hereby determines and directs that the Series B Bonds shall be issued in an amount which shall not exceed the statutory bonding capacity limits applicable to the District, subject to the District's waiver as further defined and described herein.

Section 3. Supplement to Resolution No. 17; County Action. As set forth above, the provisions of Resolution No. 17 are incorporated herein by this reference. Resolution No. 17 shall be supplemented and amended to the extent set forth in this Resolution. All references to the not to exceed par amount for the Series B Bonds set forth in Resolution No. 17, the exhibits thereto, or related documents are hereby amended to a not to exceed amount of \$60,000,000. Pursuant to the provisions of State law, the provisions of Resolution No. 17, as supplemented and amended hereby, the County is requested to take action to supplement the County Resolution to conform to the terms and provisions hereof.

Section 4. Amendment to Section 7 of Resolution No. 17. Section 7 of Resolution No. 17 is amended to read as follows:

“Section 7. Form of Purchase Agreement; Sale of Bonds; Delegation of Authority.

(a) The form of the Purchase Agreement is hereby approved. The Superintendent and such other officers of the District as may be authorized and designated by the District Board or Superintendent (each a “Designated Officer”) are, and each of them acting alone hereby is, authorized to execute and deliver, with the County Treasurer, to the Underwriter the Purchase Agreement on behalf of the District, with such changes therein as the Designated Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District and subject to the terms and conditions set forth in the County Resolution. Such approval shall be conclusively evidenced by such Designated Officer's execution and delivery thereof. The Designated Officer, in consultation with the Underwriter, Bond Counsel, and the County Treasurer (“Treasurer”), is authorized and directed to establish or modify the terms of redemption of the Series B Bonds and establish the final principal amount of the Series B Bonds, provided, however, that such principal amount shall not exceed \$60,000,000. The Designated Officer is also authorized and directed to negotiate, in cooperation with the County Treasurer, with the Underwriter the interest rates on the Series B Bonds, not-to-exceed a true interest cost of eight percent (8.00%), and the Underwriter's discount shall not exceed one percent (1.00%) of the principal amount of the Series B Bonds plus any out-of-pocket expenses of the Underwriter to be reimbursed under the terms of the Underwriter's agreement with the District (exclusive of any original issue discount on the Series B Bonds,

if any, which shall not exceed 5.00%). True interest cost for purposes of this Section means that nominal interest rate that, when compounded semiannually and used to discount the debt service payments on the Series B Bonds to the dated date(s) of the Series B Bonds, results in an amount equal to the purchase price of the Series B Bonds, excluding interest accrued to the date of delivery. For purposes of this calculation, the premium paid for the policy of municipal bond insurance, if any, shall be treated as interest paid on the Series B Bonds on the date of delivery. The term of the Series B Bonds shall be for not more than 40 years from the date of issuance.

(b) The Designated Officer is also authorized, in consultation with the County, the Underwriter and Bond Counsel, to elect to purchase a policy of bond insurance for the Series B Bonds to the extent such action is determined to be in the best interests of the District.

(c) The Series B Bonds may be issued and sold in full or in part as Current Interest Bonds, Capital Appreciation Bonds, and/or Convertible Capital Appreciation Bonds (each as further described in the County Resolution).”

Section 5. Preliminary Official Statement; Official Statement. Pursuant to State law and federal disclosure requirements, an updated Preliminary Official Statement relating to the Series B Bonds has been prepared and has been submitted to this District Board. All actions approved in Section 13 of Resolution No. 17 with respect to such updated Preliminary Official Statement, and final Official Statement prepared and furnished with respect to the issuance and sale of the Series B Bonds, shall apply to such updated Preliminary Official Statement.

Section 7. Amendment to Section 18 of Resolution No. 17. Section 18 of Resolution No. 17 is amended to read as follows:

“Pursuant to Education Code Section 15146(b) and (c), the District Board hereby finds, determines and directs as follows:

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

(b) The Series B Bonds shall be sold by negotiated sale inasmuch as:
(i) such a sale to the Underwriter will allow the District to integrate the sale of the Series B Bonds with other public financings undertaken, or to be undertaken, by the District in order to finance and fund public school facilities, including, but not limited to, the 2009 Notes; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; (iii) such a sale will allow the District to utilize the services of consultants at a lower cost than selecting, retaining and utilizing the services of consultants who are not familiar with the District, its financing needs and related matters; and (iv) such a sale will allow the District to control the timing of the sale of the Series B Bonds to the municipal bond market and, potentially, take

advantage of interest rate opportunities for favorable sale of the Series B Bonds to such market.

(c) The District is represented by Piper Jaffray & Co., as its Underwriter, Bowie, Arneson, Wiles & Giannone as Bond Counsel to the District, The Law Offices of Samuel Norber as Special Tax Counsel, Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, California Financial Services as Program Manager and Dolinka Group, LLC, as Financial Advisor.

(d) The District Board estimates that the costs associated with the issuance of the Bonds, including compensation to the Underwriter and any such costs which the Underwriter agrees to pay pursuant to the Purchase Agreement, are set forth in Exhibit "A," attached hereto and incorporated herein by this reference. Such costs of issuance of the Series B Bonds include, but are not limited to, costs of bond insurance, Bond Counsel, Special Tax Counsel, Disclosure Counsel and Underwriter's Counsel fees and expenses, consultant fees and costs, financial advisor fees, rating agency fees, County costs, printing costs and related costs and expenses. Such figure is an estimate and shall not constrain or limit the District as to the issuance and sale of the Series B Bonds pursuant to the directives and conditions set forth herein.

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

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

(g) The District Board hereby directs that as part of the authorization for issuance, sale, issuance and delivery of the Series B Bonds that all necessary filings with CDIAC shall be completed by the District staff and/or its consultants on behalf of the District. The District Board directs that confirmation of such filings shall be included in the transcript of agreements, resolutions, proceedings and documents prepared and delivered in connection with the authorization for issuance, sale, issuance and delivery of the Series B Bonds."

Section 8. Amendment to Section 19 of Resolution No. 17. Section 19 of Resolution No. 17 is amended to read as follows:

“Section 19. Satisfaction of 2009 Notes. A portion of the proceeds of the Series B Bonds will be used to pay, redeem and defease a portion of the 2009 Notes, including interest due thereon (but excluding included costs of issuance thereof), pursuant to their terms. The District Board hereby approves and authorizes the following actions in such regard:

(a) The Designated Officer is hereby authorized to retain and utilize the services of such consultants and professional services as are necessary or desirable to complete the payments, redemption and defeasance of the 2009 Notes including, but not limited to, Escrow Agent services and verification agent, as may be applicable, services. The costs of such services shall constitute costs of issuance of the Series B Bonds.

(b) The form of an Escrow Agreement for the defeasance of the 2009 Notes has been presented to this District Board and is hereby approved as to form. The Designated Officer(s) is hereby authorized to execute and deliver such Escrow Agreement in connection with the payment of the 2009 Notes.

(c) The District Board hereby determines and directs that, pursuant to Education Code Sections 15100 *et seq.* and 15150, any premium generated from the sale of the Series B Bonds may be used to pay interest costs of the outstanding 2009 Notes and costs of issuance of the 2009 Notes included within the initial par amount of the 2009 Notes. The District Board hereby determines that the expenditure of premium generated from the sale of the Series B Bonds may be used to pay or recover costs of issuance, interest and carry costs of the 2009 Notes, which was an interim financing in connection with the issuance of the general obligation bonds which are part of the Bond Authorization.

(d) The District’s staff, consultants and Designated Officer(s) are hereby authorized to take all actions necessary or desirable to complete the payment, redemption and defeasance of a portion of the 2009 Notes, including execution and delivery of necessary agreements, documents and certifications in connection therewith. The District’s staff, consultants and legal counsel are authorized to structure the payment and defeasance of the 2009 Notes in such manner as shall be in conformance with the legal requirements thereof and in the best interests of the District.”

Section 9. Application of State Waiver.

(a) The District Board has previously undertaken the following actions relative to requesting, and receiving, a State Board of Education (“SBE”) general waiver (“Waiver”) of the applicable bonding capacity limits otherwise applicable to the District and the general obligation bonds issued pursuant to the Authorization:

(1) The adoption of Resolution No. 10 by this District Board on October 7, 2010, which Resolution directed the notice and scheduling for a public hearing with

respect to the proposed general waiver to be conducted on October 21, 2010, pursuant to the provisions of applicable State law;

(2) The publication, posting and provision of notice concerning the proposed general waiver and public hearing as required under applicable State law;

(3) The conducting of such public hearing at the noticed meeting of the District Board held on October 21, 2010, at which meeting a full and fair hearing was conducted and completed;

(4) The adoption of Resolution No. 13 by this District Board on October 21, 2010, authorizing and directing the submission of the Waiver request, and supporting information and documentation, to the SBE as required under applicable State law and SBE requirements; and

(5) Submission of such completed written Waiver request, and supporting information and documentation, to the SBE on or about October 22, 2010.

(b) In connection with the Waiver request and Waiver, the District Board finds and determines as follows:

(1) The actions by this District Board, District staff and consultants, as described above, are in conformance with applicable State law and requirements;

(2) Education Code Section 33050 grants to the SBE the authority to grant a general waiver to the District with respect to the general obligation bonding capacity limitations as set forth in Education Code Section 15106 and 15270;

(3) The Waiver duly came before the SBE on January 12, 2011, and was approved by such body on such date; and

(4) The Waiver approved by the SBE is valid and binding and may be relied upon by the District and the County as part of the authorization and issuance of general obligation bonds under the Bond Authorization, including the authorization and issuance of the Series B Bonds.

Section 10. Approval of Actions. All actions heretofore taken by officers and agents of the District with respect to the sale and issuance of the Series B Bonds are hereby approved, confirmed and ratified. The President and Clerk of the District Board and the Designated Officer(s) are each authorized and directed in the name and on behalf of the District to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series B Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer shall be

absent or unavailable. Any reference to the District's Superintendent herein shall include any appointed and acting Interim Superintendent of the District.

Section 11. Resolution No. 30 Rescinded. Based upon the actions and determinations set forth herein, the District Board hereby directs that Resolution No. 30 be rescinded effective upon the date of adoption of this Resolution.

Section 12. Partial Invalidity; Severability. If any one of the findings, determinations, directions, or portions thereof, provided in this Resolution on the part of the District to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreement or portions thereof and shall in no way affect the validity of this Resolution or of the Series B Bonds; but the Bond owners shall retain all rights and benefits accorded to them under any applicable provisions of law. The District hereby declares that it would have entered into this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series B Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 13. County Costs. That this District Board authorizes the payment to the County of out-of-pocket expenses and other costs incurred by the County in connection with the County's support of, and participation in, the issuance of the Series B Bonds. The District Board hereby authorizes the execution and delivery of an agreement, if required, with the County for the payment of any costs and expenses incurred by the County in connection with, or resulting from the issuance, sale and delivery of the Series B Bonds and/or the utilization of proceeds of the Series B Bonds as set forth in Resolution No. 17, as supplemented by this Resolution.

Section 14. Other Actions. The President and Clerk of the District Board, and the Designated Officers of the District, are authorized and directed to execute and deliver all documents and to take all actions necessary or desirable to cause or facilitate the issuance and delivery of the Series B Bonds, as set forth in Resolution No. 17, as supplemented by this Resolution.

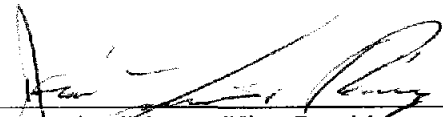
Section 15. Effective Date. This Resolution shall take effect immediately upon adoption.

Section 16. County Filing. The Clerk of the District Board is hereby directed to file, or cause to be filed, certified copies of this Resolution with the Clerk of the County Board and the Superintendent of Schools of the County.


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ADOPTED, SIGNED AND APPROVED this 21st day of April, 2011, by the Board of Education of the Alvord Unified School District.

**BOARD OF EDUCATION OF THE ALVORD
UNIFIED SCHOOL DISTRICT**

By 
José Luis Pérez, Vice-President, Board of
Education of the Alvord Unified School
District

ATTEST:

By 
Art Kaspereen Jr., Clerk, Board of Education
for the Alvord Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Art Kaspereen Jr., Clerk of the Board of Education of the Alvord Unified School District, do hereby certify that the foregoing Resolution was duly adopted by the Board of Education of the Alvord Unified School District at a meeting thereof held on the 21st day of April, 2011, at which meeting a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law, and that such Resolution was so adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

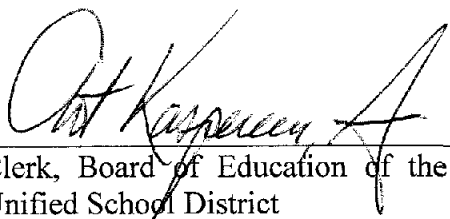
By 
Clerk, Board of Education of the Alvord
Unified School District

EXHIBIT "A"

**ALVORD UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2007 ELECTION, SERIES B**

ESTIMATED COSTS OF ISSUANCE*

Underwriter's Discount (not-to-exceed)	1.00% of par amount*
Bond Insurance (if purchased)	0.50% of par amount ⁺
Other costs of issuance*, including: <ul style="list-style-type: none">• Bond/District Counsel and expenses• Disclosure Counsel and expenses• Special Tax Counsel and expenses• Underwriter's Counsel• Financial Advisor and expenses (DG)• Program Manager fees and expenses (CFS)• Rating Agency presentation costs and costs of rating(s):<ul style="list-style-type: none">Moody's Investors ServiceStandard & Poor's Rating Services• Printing costs• Demographic Data• Paying Agent costs and expenses• Escrow costs/Escrow Agent Costs• Costs of Issuance Custodian Fees• Misc. expenses/Contingency	2.00% of par amount

* All costs of issuance listed herein are estimates. Such figures are estimates and shall not constrain or limit the District as to the issuance and sale of the Series B Bonds pursuant to the directives and conditions set forth in District Resolution No. 17, as supplemented by Resolution No. 42.

⁺ Due to recent changes concerning municipal bond insurance ratings, it is uncertain if bond insurance will be purchased. This figure is provided as an estimate based on current conditions.

NEW ISSUE—BOOK-ENTRY ONLY

Ratings: (See "MISCELLANEOUS — Ratings" herein.)

In the opinion of the Law Offices of Samuel Norber, Special Tax Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Special Tax Counsel, interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Tax Counsel observes that such interest is includable in adjusted current earnings in calculating corporate alternative minimum taxable income. Special Tax Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. See "TAX MATTERS" herein.

\$58,000,000*

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2007 Election, Series B

Dated: Date of Delivery**Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Alvord Unified School District (Riverside County, California) General Obligation Bonds, 2007 Election, Series B (the "Series B Bonds") are issued by the County of Riverside (the "County") on behalf of the Alvord Unified School District (the "District") (i) to defease and pay a portion of the District's outstanding 2009 General Obligation Bond Anticipation Notes of the Alvord Unified School District, and (ii) to pay certain costs of issuance of the Series B Bonds. The Series B Bonds are being issued under the laws of the State of California (the "State") and pursuant to resolutions of the Board of Education of the District and the Board of Supervisors of the County.

The Series B Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal, accreted value, maturity value of and interest on the Series B Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES B BONDS" herein.

The Series B Bonds are being issued as capital appreciation bonds (the "Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds"). The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside cover hereof. Interest on the Capital Appreciation Bonds will be compounded on each February and August 1 to maturity, commencing August 1, 2011.

The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a "Conversion Date"). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their stated accreted value at the Conversion Date thereof payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Prior to the Conversion Date of a Convertible Capital Appreciation Bond, interest on such Convertible Capital Appreciation Bond will be compounded on each February 1 and August 1, commencing August 1, 2011. From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof at the rates set forth on the inside front cover page of this Official Statement, payable on each February 1 and August 1 to maturity, commencing on the February 1 or August 1 immediately following such Conversion Date. The Convertible Capital Appreciation Bonds will be issued in denominations of \$5,000 accreted value at the Conversion Date thereof, or any integral multiple thereof.

The Series B 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 ("DTC"). DTC will act as securities depository for the Series B Bonds. Individual purchases of the Series B Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series B Bonds purchased by them. See "THE SERIES B BONDS – Form and Registration" herein. Payments of accreted value of and interest on the Series B Bonds will be made by the Paying Agent, initially U.S. Bank National Association, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series B Bonds. See "THE SERIES B BONDS – Payment of Principal and Interest" herein.

The Series B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES B BONDS — Redemption" herein.

The scheduled payment of the accreted value of and interest on the Series B Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series B Bonds by ASSURED GUARANTY MUNICIPAL CORP.

[Insert Assured Guaranty logo]

* Preliminary; subject to change.

The Series B Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to receiving the final legal opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, and the final tax opinion of the Law Offices of Samuel Norber, Beverly Hills, California, Special Tax Counsel. Certain legal matters will be passed upon for the District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, California. Orrick, Herrington & Sutcliffe LLP is acting as Disclosure Counsel to the District in connection with the Series B Bonds. It is anticipated that the Series B Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2011.

Piper Jaffray

The date of this Official Statement is _____, 2011.

MATURITY SCHEDULE*

BASE CUSIP¹: 022555

\$ _____ Capital Appreciation Bonds

<u>Maturity (August 1)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate</u>	<u>Reoffering Yield</u>	<u>Maturity Value</u>	<u>CUSIP Number¹</u>
--------------------------------	-----------------------------------------	---------------------------	-----------------------------	---------------------------	-------------------------------------

\$ _____ Convertible Capital Appreciation Bonds

<u>Maturity (August 1)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate</u>	<u>Conversion Date (August 1)</u>	<u>Accreted Value at Conversion Date</u>	<u>Interest Rate Upon Conversion</u>	<u>Reoffering Yield</u>	<u>CUSIP Number¹</u>
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* Preliminary; subject to change.

¹ Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

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

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series B Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series B Bonds or the advisability of investing in the Series B Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and in APPENDIX K - "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

**ALVORD UNIFIED SCHOOL DISTRICT
(RIVERSIDE COUNTY, CALIFORNIA)**

BOARD OF EDUCATION

Carolyn M. Wilson, *President*
José Luis Pérez, *Vice President*
Art Kaspereen, Jr., *Clerk*
Ben Johnson II, *Member*
Greg Kraft, *Member*

DISTRICT ADMINISTRATORS

Wendel W. Tucker, Ph.D., *Superintendent*
Diana M. Asseier, *Assistant Superintendent, Instructional Support Services*
Craig R. Wells, *Assistant Superintendent, Personnel*

PROFESSIONAL SERVICES

Bond Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Special Tax Counsel

Law Offices of Samuel Norber
Beverly Hills, California

District Counsel

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Financial Consultant

Dolinka Group, LLC
Irvine, California

Program Manager

California Financial Services
Mission Viejo, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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\$58,000,000*
ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2007 Election, Series B

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$58,000,000* aggregate principal amount of Alvord Unified School District (Riverside County, California) General Obligation Bonds, 2007 Election, Series B (the "Series B Bonds"), consisting of capital appreciation bonds (the "Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds"), to be offered by the Alvord Unified School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series B Bonds. Quotations from and summaries and explanations of the Series B Bonds, the resolutions of the Board of Education of the District and the Board of Supervisors of the County of Riverside (the "County") providing for the issuance of the Series B Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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 Series B Bonds.

Copies of documents referred to herein and information concerning the Series B Bonds are available from the District by contacting: Superintendent of the District, at 10365 Keller Avenue, Riverside, California 92505, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was formally established in 1960 as a unified successor district tracing its original formation history to 1896. The District currently encompasses an area of approximately 26 square miles, is located in the County, and includes territory located both within and around the cities of Riverside and Corona. The District provides public education services for grades K-12 and continuing education and adult education services programs and estimates that total current enrollment is approximately 19,800 students. For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

* Preliminary; subject to change.

Bond Insurance

Concurrently with the issuance of the Series B Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its municipal bond insurance policy (the "Insurance Policy") for the Series B Bonds. The Insurance Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the Maturity Value or Accreted Value at the Conversion date, as applicable) and interest on the Series B Bonds when due as set forth in the form of the Insurance Policy included as an exhibit to this Official Statement. See "MUNICIPAL BOND INSURANCE" herein.

THE SERIES B BONDS

Authority for Issuance; Purpose

The Series B Bonds are issued by the County on behalf of the District under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on November 18, 2010 (the "District Resolution") and a resolution adopted by the County Board of Supervisors on November 30, 2010 (the "County Resolution"). Capitalized undefined terms used herein have the meanings ascribed thereto in the County Resolution.

At an election held on November 6, 2007, the District received authorization under a ballot measure to issue bonds of the District in an aggregate principal amount not to exceed \$196,000,000 to finance specific school facility construction, repair and improvement projects (the "2007 Authorization"). The measure required approval by at least 55% of the votes cast by eligible voters within the District, and received a favorable vote of approximately 62%. On May 1, 2008, the County, on behalf of the District, issued the first series of the authorized bonds under the 2007 Authorization in the aggregate principal amount of \$60,000,000 (the "Series A Bonds"), leaving \$136,000,000 aggregate principal amount of general obligation bonds authorized but unissued. The Series B Bonds represents the second series of the authorized bonds to be issued under the 2007 Authorization. On June 2, 2009, the District issued \$60,000,000 aggregate principal amount of 2009 General Obligation Bond Anticipation Notes of the Alvord Unified School District (the "Series 2009 Notes") in anticipation of the sale of additional general obligation bonds of the District under the 2007 Authorization. On May 26, 2010, the District issued \$51,999,393.95 aggregate initial principal amount of 2010 General Obligation Bond Anticipation Notes of the Alvord Unified School District (the "Series 2010 Notes").

Proceeds from the Series B Bonds will be used (i) to defease and pay the outstanding Series 2009 Notes in the aggregate principal amount of \$60,000,000, and (ii) to pay certain costs of issuance of the Series B Bonds.

Form and Registration

The Series B Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 accreted value at their maturity date, in the case of the Capital Appreciation Bonds, or conversion date, in the case of Convertible Capital Appreciation Bonds, or any integral multiple thereof. The Series B Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as security depository of the Series B Bonds. Purchases of Series B Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series B Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for

the Series B Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

Payment of Principal and Interest

The Series B Bonds will be issued as Capital Appreciation Bonds and Convertible Capital Appreciation Bonds as set forth on the inside front cover hereof.

Interest; Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not pay interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily (on the basis of a 360-day year of twelve 30-day months) from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its accreted value at maturity thereof (“Maturity Value”), as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing August 1, 2011.

Interest; Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds will be dated as of their date of delivery. The Convertible Capital Appreciation Bonds will initially constitute capital appreciation bonds and will convert to current interest bonds on their respective conversion dates as set forth on the inside front cover hereof (each a “Conversion Date”). Prior to the Conversion Date thereof, the Convertible Capital Appreciation Bonds will not pay interest on a periodic basis; instead, each Convertible Capital Appreciation Bond will accrete in value daily (on the basis of a 360-day year consisting of twelve 30-day months) from its initial principal amount on the date of issuance thereof (as stated on the inside front cover page of this Official Statement) to its accreted value at the Conversion Date thereof, as stated on the inside front cover page of this Official Statement, on the basis of a constant interest rate compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing on August 1, 2011.

From and after the Conversion Date of a Convertible Capital Appreciation Bond, such Convertible Capital Appreciation Bond will bear current interest on the accreted value thereof (on the basis of a 360-day year consisting of twelve 30-day months) at the interest rate applicable thereto set forth on the inside front cover page of this Official Statement, payable on each Interest Date, commencing on the February 1 or August 1 immediately following such Conversion Date. Following the Conversion Date thereof, each Convertible Capital Appreciation Bond will bear interest from the Interest Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on a Record Date and on or prior to the succeeding Interest Date, in which event it shall bear interest from such Interest Date, or unless it is authenticated on or before the Record Date preceding the first Interest Date following its Conversion Date, in which event it will bear interest from its Conversion Date; provided, however, that if, at the time of authentication of any Convertible Capital Appreciation Bond, interest is in default on any outstanding Convertible Capital Appreciation Bonds, such Convertible Capital Appreciation Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment on the outstanding Convertible Capital Appreciation Bonds.

Accreted Values. The rate of interest at which a Capital Appreciation Bond’s Maturity Value or Convertible Capital Appreciation Bond’s accreted value at the Conversion Date thereof is discounted to its initial principal amount is known as the “Accretion Rate,” and is stated on the inside front cover hereof. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The accreted value on any other

date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

For any Convertible Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Date prior to the Conversion Date thereof may be calculated by discounting the accreted value at the Conversion Date of the Convertible Capital Appreciation Bond from its Conversion Date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The accreted value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Tables of Accreted Values shown in Appendices I and J hereto, in order to provide the value per \$5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity and the value per \$5,000 of accreted value at the Conversion Date for each Convertible Capital Appreciation Bond on each Interest Date prior to the Conversion Date thereof.

The accreted value of the Series B Bonds is payable upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, the paying agent, bond registrar, authentication agent and transfer agent with respect to the Series B Bonds (the "Paying Agent"), at the maturity thereof or upon redemption prior to maturity. Payment of interest on any Convertible Capital Appreciation Bond after its Conversion Date on each Interest Date (or on the following business day, if the Interest Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent, as the registered owner thereof (the "Owner") as of the preceding Record Date, such interest to be paid by check mailed by first class mail to the Owner at the Owner's address as it appears on the registration books. The Owner of an aggregate accreted value at the Conversion Date of \$1,000,000 or more of Convertible Capital Appreciation Bonds may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank within the continental United States and account number on file with the Paying Agent as of the applicable Record Date.

The accreted value of and interest and premiums, if any, on the Series B Bonds will be payable in lawful money of the United States of America from monies on deposit in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"), consisting of *ad valorem* taxes collected and held by the Treasurer-Tax Collector of the County (the "County Treasurer"), together with any premium and accrued interest received upon issuance of the Series B Bonds. So long as all outstanding Series B Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of accreted value of, premium, if any, and interest on the Series B Bonds and all notices with respect to such Series B Bonds will be made and given to such securities depository or its nominee and not to beneficial owners. So long as the Series B Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX H - "BOOK-ENTRY ONLY SYSTEM."

Redemption

No Optional Redemption. The Series B Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption. The \$ _____ Term Capital Appreciation Bonds maturing on August 1, 20___, are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value thereof to be redeemed (without premium):

Mandatory Sinking Fund Redemption Date (August 1)	Accreted Value Amounts to be Redeemed
	\$

†

† Maturity.

The Convertible Capital Appreciation Bonds are not subject to mandatory sinking fund redemption prior to maturity.

Selection of Series B Bonds for Redemption. Whenever less than all of the outstanding Term Capital Appreciation Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Term Capital Appreciation Bonds of such maturity to be redeemed by lot in any manner the Paying Agent shall determine. For purposes of such selection, the Term Capital Appreciation Bonds to be redeemed in part shall be in denominations of \$5,000 Maturity Value or any integral multiple thereof.

Notice of Redemption. Notice of redemption of any Series B Bond will be given at least 30 days, but not more than 60 days, prior to the redemption date (i) by first class mail, postage prepaid, to the District and the County and the respective Owners thereof at the addresses appearing on the bond registration books, (ii) by mail, first class postage, to the securities depository for the Series B Bonds (initially, DTC), (iii) by mail, first class postage, to one information service of national recognition which disseminates redemption information with respect to municipal securities, and (iv) as may be further required in accordance with the Continuing Disclosure Certificate. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The County Resolution provides that neither failure to receive such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of such Series B Bonds nor entitle the Owner thereof to interest beyond the date given for redemption.

Each notice of redemption will contain the following information: (i) that the Series B Bonds or a designated portion thereof are to be redeemed; (ii) if less than all of the then outstanding Series B Bonds are to be called for redemption, the numbers and CUSIP® numbers, if any, of the Series B Bonds to be redeemed; (iii) the date of notice and the date of redemption; (iv) the place or places where the redemption will be made; and (v) descriptive information regarding the Series B Bonds and the specific Series B Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. The County Resolution provides that such redemption notice will further state that on the specified date there will become due and payable upon each Series B Bond to be redeemed, the portion of the accreted value of such Series B Bond to be redeemed, and redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue or accrete, as applicable.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above, and the monies for the redemption (including the interest to the applicable date of redemption) have been set aside in the Interest and Sinking Fund, the Series B Bonds to be redeemed will become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Series B Bonds to be redeemed as provided in the County Resolution, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given as provided in the County Resolution, then from and after such redemption date, interest with respect to the Series B Bonds to be redeemed shall cease to accrue or accrete, as applicable. All money held for the

redemption of Series B Bonds will be held in trust for the account of the Owners of the Series B Bonds so to be redeemed.

Contingent Redemption; Rescission of Redemption. The County Resolution provides that any redemption notice may specify that redemption of the Series B Bonds designated for redemption on the specified date will be subject to the receipt by the District of monies sufficient to cause such redemption (and will specify the proposed source of such monies), and provides that neither the District or the County will have any liability to the Owners of any Series B Bonds, or any other party, as a result of the District's failure to redeem the Series B Bonds designated for redemption as a result of insufficient monies therefor. Additionally, the County Resolution provides that the District may rescind any optional redemption of the Series B Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Series B Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The County Resolution provides that the actual receipt by the Owner of any Series B Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission. The County Resolution provides that neither the District nor the County will have any liability to the Owners of any Series B Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Series B Bonds pursuant to the provisions of the County Resolution.

Defeasance of Series B Bonds

The District may pay and discharge any or all of the Series B Bonds in the following ways: (i) by irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay all (or the designated outstanding maturities) of the Series B Bonds, including all principal and interest and premium, if any; or (ii) by irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities, as permitted under Section 149(d) of the Internal Revenue Code, together with cash, if required, in such an amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge all (or the designated outstanding maturities) of the Series B Bonds, including all principal and interest and premium, if any, at or before their maturity date. The County Resolution provides that "Defeasance Securities" means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations; provided that investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Defeasance Securities, (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities, and (iii) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; and provided further that such obligations are rated or assessed "AAA" by Standard & Poor's if the Series B Bonds are then rated by Standard & Poor's, and "Aaa" by Moody's Investors Service if the Series B Bonds are then rated by Moody's Investors Service.

Unclaimed Monies

The County Resolution provides that any monies held by the Paying Agent for the payment of the principal or Maturity Value of, redemption premium, if any, or interest on Series B Bonds remaining unclaimed for one year after the corresponding maturity or redemption date for such Series B Bonds shall

be returned by the Paying Agent to the County Treasurer, with any and all interest accrued thereon, for deposit into the Interest and Sinking Fund of the District. The County Resolution also provides that any monies held in any fund created pursuant to the County Resolution, or by the Paying Agent in trust, for the payment of the principal or Maturity Value of, redemption premium, if any, or interest on Series B Bonds and remaining unclaimed for one year after the principal or Maturity Value of all of the Series B Bonds have become due and payable (whether by maturity or upon prior redemption) shall be, after written direction of the District, transferred to the general fund of the District to be applied in accordance with law; provided, however, that the Paying Agent or the District, before making such transfer, must cause notice to be mailed to the Owners of all Series B Bonds that have not been paid, by first-class mail at the addresses on the bond register, postage prepaid, not less than 90 days prior to the date of such transfer.

Application and Investment of Series B Bond Proceeds; Plan of Finance

The District and U.S. Bank National Association, as escrow bank (the "Escrow Bank"), will enter into the Escrow Agreement, dated as of the date of issuance of the Series B Bonds (the "Escrow Agreement"), with respect to the Series 2009 Notes being defeased, pursuant to which the District will cause to be deposited a portion of the proceeds from the sale of the Series B Bonds into a special fund to be held by the Escrow Bank. The amount deposited with the Escrow Bank will be used to purchase certain United States governmental obligations, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the principal of and interest due on the \$60,000,000 aggregate principal amount of Series 2009 Notes being defeased to the maturity date of the Series 2009 Notes (December 1, 2011) in accordance with the schedule set forth in the Escrow Agreement.

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of principal and interest on the government obligations, and the projected payments of principal and interest to retire the Series 2009 Notes to be defeased will be verified by Causey Demgen & Moore Inc. Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. Causey Demgen & Moore Inc. will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

Any net premium or accrued interest received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings thereon will accrue to that fund.

Estimated Sources and Uses of Funds

The proceeds of the Series B Bonds are expected to be applied as follows:

Sources of Funds:

Par Amount of Series B Bonds	\$
Plus Net Original Issue Premium	
Total Sources of Funds	<u>\$</u>

Uses of Funds:

Series 2009 Note Defeasance	\$
Costs of Issuance ⁽¹⁾	
Deposit to Interest and Sinking Fund	
Total Uses of Funds	<u>\$</u>

⁽¹⁾ Includes underwriter's discount, Bond Counsel, Special Tax Counsel, Disclosure Counsel, District Counsel, Financial Consultant and other consultant fees, rating agency fees, initial Paying Agent fees, Escrow Bank fees, printing fees, bond insurance premium, if any, and other miscellaneous fees and expenses.

Debt Service

Debt service on the Series B Bonds, assuming no early redemptions, is as shown in the following table.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2007 Election, Series B
Debt Service**

<u>Period Ending August 1</u>	<u>Capital Appreciation Bonds</u>		<u>Convertible Capital Appreciation Bonds</u>		<u>Annual Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$	\$	\$	\$	\$
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
Total:	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Outstanding Debt

On November 1, 2002, the District, through the County, issued a series of general obligation refunding bonds (the "Series 2002 Bonds") in the amount of \$52,810,000. The Series 2002 Bonds were issued in order to refinance bonds issued pursuant to a 1997 election.

Pursuant to the 2007 Authorization, on May 1, 2008, the District, through the County, issued \$60,000,000 aggregate principal amount of the Series A Bonds.

On June 2, 2009, the District issued \$60,000,000 aggregate principal amount of the Series 2009 Notes. The Series 2009 Notes mature on December 1, 2011. The 2009 Notes are payable from the proceeds of the sale of general obligation bonds of the District issued pursuant to the 2007 Authorization or from other funds of the District lawfully available for the purpose of repaying the Series 2010 Notes, including, but not limited to, grant funds from the State of California available for such purpose. A portion of the proceeds of the Series B Bonds will be applied to the defeasance and payment of a portion of the Series 2009 Notes.

On May 26, 2010, the District issued \$51,999,393.95 aggregate initial principal amount of the Series 2010 Notes. The Series 2010 Notes mature on May 1, 2015. The 2010 Notes are payable from the proceeds of the sale of general obligation bonds of the District issued pursuant to the 2007 Authorization or from other funds of the District lawfully available for the purpose of repaying the Series 2010 Notes, including, but not limited to, grant funds from the State of California available for such purpose.

Aggregate Debt Service

Debt service on the District's outstanding general obligation bonds, assuming no early redemptions, is as shown in the following table.

Period Ending August 1	Series 2002 Bonds	Series A Bonds	Series B Bonds	Aggregate Total Debt Service
2011	\$	\$	\$	\$
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
Total		\$	\$	\$

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES B BONDS

General

In order to provide sufficient funds for repayment of accreted value and interest when due on the Series B Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of general obligation bonds of the District.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal of and interest on such bonds when due.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2010-11 assessed value of \$6,077,836,210. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone

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

Locally taxed 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 property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Under California law, a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. However, taxes collected for payment of debt service on school bonds are not affected or diverted by the operation of a redevelopment agency project area. Moreover, some school districts have negotiated "pass-through agreements" with their local redevelopment agencies, entitling the district to receive a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on redevelopment agency tax-increment bonds). In some cases the pass-through is mandated by statute.

Shown in the following table is the assessed valuation of the various classes of property in the District in recent years.

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Assessed Valuations
Fiscal Years 2000-01 through 2010-11

Fiscal Year	Local Secured	Utility	Unsecured	Total Before Redevelopment Increment	Total After Redevelopment Increment
2000-01	\$ 3,102,120,387	\$ 1,748,638	\$ 105,221,463	\$ 3,209,090,488	\$ 3,126,660,573
2001-02	3,347,727,500	1,772,286	146,531,828	3,496,031,614	3,382,178,083
2002-03	3,564,406,686	1,655,084	161,506,273	3,727,568,043	3,619,080,307
2003-04	3,876,632,992	1,070,185	148,912,887	4,026,616,064	3,914,993,728
2004-05	4,337,079,402	1,027,374	159,581,509	4,497,688,285	4,383,194,208
2005-06	4,957,889,187	1,044,022	201,826,936	5,160,760,145	4,474,110,608
2006-07	5,758,106,781	993,568	191,655,254	5,950,755,603	4,704,090,344.713
					<u>421,147</u>
2007-08	6,730,106,629	153,200	212,126,746	6,942,386,575	5,115,255,042.5126
					<u>393,739</u>
2008-09	6,813,474,664	153,200	203,830,900	7,017,458,764	5,290,923,216.5303
					<u>725,290</u>
2009-10	6,030,484,672	153,200	208,053,610	6,238,691,482	4,882,863,077.892
					<u>976,014</u>
2010-11	5,886,207,083	153,200	191,475,927	6,077,836,210	4,798,236,400.4
					<u>805,083,737</u>

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

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

The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In the County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to

the Riverside County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

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

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

Bonding Capacity: State Board of Education Waiver. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$ _____ million. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

The issuance of the Series B Bonds will cause the District to exceed its statutory bonding limit. However, Section 33050 et seq. of the California Education Code provides that the governing board of a school district may request the State Board of Education to waive all or part of any section of the California Education Code, except certain specified sections (which do not include the sections relating to bonding limits). The District has requested and received from the California Department of Education a waiver of its bonding limit. There has not been a California case that has directly considered whether a waiver of a school district bonding limit is an improper amendment of a law enacted to protect substantial rights of taxpayers. However, California courts have concluded that the waiver statute does not grant the Board of Education the power to waive every provision of the Education Code, particularly not those enacted for the protection of the public. For example, in *McLaughlin v. State Board of Education*, 75 Cal. App. 4th 196, 89 Cal. Rptr. 2d 295 (1999), the court found that the requirements of Proposition 227 (the bilingual education initiative), a law enacted for the benefit of bilingual students and their parents, could not be waived by or at the request of the government it was supposed to regulate. It is not clear whether this line of reasoning would apply to a waiver of a bonding limit. In any case, upon issuance of the Series B Bonds, Bond Counsel will render its opinion that the Series B Bonds are valid

and binding general obligations of the District. See "OTHER LEGAL MATTERS – Legal Opinion" and Appendix C hereto.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2010-11 Assessed Valuation and Parcels by Land Use**

	2010-11 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural/Undeveloped	\$ 73,812,956	1.25%	718	2.74%
Commercial	921,403,305	15.65	2,388	9.13
Vacant Commercial	75,116,092	1.28	260	0.99
Industrial	<u>192,922,449</u>	<u>3.28</u>	<u>95</u>	<u>0.36</u>
Subtotal Non-Residential	\$1,263,254,802	21.46%	3,461	13.23%
Residential:				
Single Family Residence	\$3,655,303,180	62.10%	19,281	73.71%
Condominium/Townhouse	259,742,963	4.41	1,189	4.55
Mobile Home	37,592,735	0.64	822	3.14
2-4 Residential Units	103,963,122	1.77	324	1.24
5+ Residential Units/Apartments	526,435,014	8.94	93	0.36
Vacant Residential	<u>39,915,267</u>	<u>0.68</u>	<u>987</u>	<u>3.77</u>
Subtotal Residential	\$4,622,952,281	78.54%	22,696	86.77%
TOTAL	\$5,886,207,083	100.00%	26,157	100.00%

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

Assessed Valuation of Single-Family Residential Properties. The following table shows the assessed valuation of single-family residential properties in the District for fiscal year 2010-11.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Per Parcel 2010-11 Assessed Valuation of Single Family Homes**

	<u>No. of Parcels</u>	<u>2010-11 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	19,281	\$3,655,303,180	\$189,581	\$170,000

<u>2010-11 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	50	0.259%	0.259%	\$ 921,073	0.025%	0.025%
\$25,000 - \$49,999	630	3.267	3.527	25,416,598	0.695	0.721
\$50,000 - \$74,999	869	4.507	8.034	53,111,726	1.453	2.174
\$75,000 - \$99,999	991	5.140	13.174	88,502,824	2.421	4.595
\$100,000 - \$124,999	1,960	10.165	23.339	223,164,136	6.105	10.700
\$125,000 - \$149,999	2,689	13.946	37.285	369,541,228	10.110	20.810
\$150,000 - \$174,999	2,991	15.513	52.798	484,929,946	13.266	34.076
\$175,000 - \$199,999	2,217	11.498	64.296	413,960,178	11.325	45.401
\$200,000 - \$224,999	1,649	8.552	72.849	348,085,681	9.523	54.924
\$225,000 - \$249,999	1,227	6.364	79.213	290,189,686	7.939	62.863
\$250,000 - \$274,999	970	5.031	84.244	253,800,911	6.943	69.806
\$275,000 - \$299,999	640	3.319	87.563	183,293,108	5.014	74.821
\$300,000 - \$324,999	659	3.418	90.981	205,378,706	5.619	80.439
\$325,000 - \$349,999	460	2.386	93.367	154,650,049	4.231	84.670
\$350,000 - \$374,999	262	1.359	94.725	94,818,053	2.594	87.264
\$375,000 - \$399,999	147	0.762	95.488	56,722,577	1.552	88.816
\$400,000 - \$424,999	216	1.120	96.608	89,201,487	2.440	91.256
\$425,000 - \$449,999	184	0.954	97.562	80,330,350	2.198	93.454
\$450,000 - \$474,999	140	0.726	98.288	64,674,260	1.769	95.223
\$475,000 - \$499,999	127	0.659	98.947	62,006,413	1.696	96.919
\$500,000 and greater	<u>203</u>	<u>1.053</u>	100.000	<u>112,604,190</u>	<u>3.081</u>	100.000
Total	19,281	100.000%		\$3,655,303,180	100.00%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2010-11 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Largest Local Secured Taxpayers 2010-11**

	Property Owner	Primary Land Use	2010-11 Assessed Value	Percent of Total ⁽¹⁾
1.	BRE Properties Inc.	Apartments	\$ 81,593,712	1.39%
2.	Rohr Inc.	Industrial	76,434,549	1.30
3.	Turner Riverwalk	Commercial	47,646,594	0.81
4.	Corona Summit	Commercial	46,122,865	0.78
5.	Turner Cottonwood	Commercial	44,663,683	0.76
6.	Wal Mart Real Estate Business Trust	Commercial	33,540,496	0.57
7.	Corona Hills Marketplace	Commercial	32,562,641	0.55
8.	EQR Fankey 2004 Ltd.	Apartments	31,089,347	0.53
9.	SDCO Hills of Corona Inc.	Apartments	31,038,415	0.53
10.	EQR S & T	Apartments	27,884,999	0.47
11.	Stremicks Heritage Foods LLC	Industrial	25,023,183	0.43
12.	Polk Schaefer	Apartments	24,717,852	0.42
13.	Grae La Sierra	Commercial	24,297,813	0.41
14.	Warmington Lake Hills Associates	Residential Development	23,308,713	0.40
15.	PPC Glenbrook	Apartments	21,290,018	0.36
16.	Peppertree Place Apartments	Apartments	16,714,532	0.28
17.	Rose Arlanza	Commercial	16,444,132	0.28
18.	Country Side Center Corona	Commercial	15,583,640	0.26
19.	Realty Income Corp.	Commercial	14,977,154	0.25
20.	Lowes HIW Inc.	Commercial	<u>14,555,718</u>	<u>0.25</u>
			\$649,490,056	11.03%

⁽¹⁾ 2010-11 Local Secured Assessed Valuation: \$5,886,207,083
Source: California Municipal Statistics, Inc.

Tax Rates

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

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

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last several years in a typical Tax Rate Area of the District (TRA 9-176) over the five year period from 2006-07 through 2010-11. This Tax Rate Area comprises approximately 26.35% of the total assessed value of the District.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 9-176)⁽²⁾
Fiscal Years 2006-2007 Through 2010-11**

	2006-07	2007-08	2008-09	2009-10	2010-11
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
City of Riverside	.00821	.00627	.00747	.00577	.00575
Alvord Unified School District	.05804	.05258	.10641 ⁽¹⁾	.12545	.11953
Riverside City Community College District	.01800	.01259	.01254	.01242	.01499
Metropolitan Water District	.00470	.00450	.00430	.00430	.00370
Total	\$1.08895	\$1.07594	\$1.13072	\$1.14794	\$1.14397

⁽¹⁾The District's tax rate includes the rate necessary to pay the District's first series of General Obligation Bonds issued on May 1, 2008, as well as a series of the District's general obligation bonds issued in 2002 pursuant to a previous voter authorization.

⁽²⁾2010-11 Assessed Valuation of TRA is \$1,601,601,059 which is 26.35% of total district assessed valuation.

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series B Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the November 6, 2007 Election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series B Bonds, the District projects that the maximum tax rate required to repay the Series B Bonds and all other outstanding bonds approved at the November 6, 2007 Election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series B Bonds in each year.

Tax Charges and Delinquencies

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

The county treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$23 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the

unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. There are also fees charged for delinquent unsecured property tax bills. To collect unpaid taxes, the county treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table shows real property tax charges and delinquencies in the District for the fiscal years 2005-06 through 2009-10.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2005-06 through 2009-10**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent as of June 30	Percent Delinquent June 30
2005-06	\$3,580,630.35	\$160,051.95	4.47%
2006-07	3,375,768.42	277,653.25	8.22
2007-08	3,494,665.85	383,874.69	10.98
2008-09	7,145,979.18	519,866.29	7.27
2009-10	7,446,252.39	305,593.86	4.10

⁽¹⁾ Debt service only.

Source: California Municipal Statistics, Inc.

Teeter Plan. In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing Section 4701) of the California Revenue and Taxation Code (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated, secured roll property tax delinquencies and to place the remain 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating agencies in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the

total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective March 31, 2011, for debt issued as of April 1, 2011. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Statement Of Direct And Overlapping Bonded Debt
As of March 31, 2011

2010-11 Assessed Valuation: \$6,077,836,210
 Redevelopment Incremental Valuation: ~~1,279,599,810~~ 272,752,473
 Adjusted Assessed Valuation: ~~5,798,236,400~~ 805,083,737

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	%	Debt 4/1/11
Metropolitan Water District	0.268%	\$ 610,156
Riverside City Community College District	8.3328343	19,723,543
Alvord Unified School District	100.	210,224,394⁽¹⁾
City of Riverside	18.0531808	3,004,0193.00
	<u>7</u>	<u>9,677</u>
City of Corona Community Facilities District No. 2004-1	100.	3,545,000
City of Norco Community Facilities District No. 2001-1	0.131	47,894
Alvord Unified School District Community Facilities District No. 2001-1	100.	1,660,000
Alvord Unified School District Community Facilities District No. 2001-1	100.	1,565,000
Alvord Unified School District Community Facilities District No. 2006-1	100.	8,520,000
Riverside County Community Facilities District No. 04-2	100.	23,440,000
City of Riverside Riverwalk Assessment District	100.	8,135,000
City of Riverside Riverwalk Business Assessment District	100.	3,240,000
Western Municipal Water District 1915 Act Bonds	100.	625,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$284,340,006²
		<u>84,371,703</u>

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Riverside County General Fund Obligations	3.2813286	\$
	%	23,492,46623
		<u>528,267</u>
Riverside County Pension Obligations	3.2813286	12,039,46512
		<u>057,813</u>
Riverside County Board of Education Certificates of Participation	3.2813286	202,438202.74
		<u>6</u>
Alvord Unified School District Certificates of Participation (Qualified Zone Academy Bonds)	100.	2,027,061
City of Corona General Fund Obligations	5.999	4,068,222
City of Riverside General Fund Obligations	18.0531808	38,154,11338
	<u>7</u>	<u>225,970</u>
City of Riverside Pension Obligations	18.0531808	24,561,107
	<u>7</u>	<u>24,607,364</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$104,544,872¹
		<u>04,717,443</u>
Less: Riverside County self-supporting obligations		474,884475.60
		<u>7</u>
City of Corona Certificates of Participation supported y wastewater revenues		167,972
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$103,902,016¹
		<u>04,073,864</u>
GROSS COMBINED TOTAL DEBT		\$388,884,878³
		<u>89,089,146⁽²⁾</u>
NET COMBINED TOTAL DEBT		\$388,242,022³
		<u>88,445,567</u>

(1) Excludes the Series B Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at Maturity.

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$210,224,394) 3.46%
Total Direct and Overlapping Tax and Assessment Debt 4.68%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$212,251,455) 4.42%
Gross Combined Total Debt 8.10%
Net Combined Total Debt 8.098,08%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics, Inc.

MUNICIPAL BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement, and the District takes no responsibility for the accuracy or completeness thereof. Reference is made to APPENDIX K – SPECIMEN MUNICIPAL BOND INSURANCE POLICY for a specimen of the Insurance Policy (as defined below).

The Insurance Policy

Concurrently with the issuance of the Series B Bonds, Assured Guaranty Municipal Corp. (~~formerly known as Financial Security Assurance Inc.~~) (“AGM”) will issue its Municipal Bond Insurance Policy for the Insured Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal, accreted value or Maturity Value of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix K 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to

the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011.

Capitalization of AGM. At December 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,578,146,678 and its total net unearned premium reserve was approximately \$2,298,456,380, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series B Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so

modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series B Bonds or the advisability of investing in the Series B Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

TAX MATTERS

General

In the opinion of The Law Offices of Samuel Norber, Special Tax Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Series B Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Special Tax Counsel is set forth in APPENDIX D hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Series B Bonds will not be includable in federal gross income. Failure to comply with these covenants may result in interest on the Series B Bonds being includable in federal gross income, possibly from the date of issuance of the Series B Bonds. The opinion of Special Tax Counsel assumes compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series B Bonds may affect the value of, or the tax status of interest on the Series B Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series B Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Special Tax Counsel is further of the opinion that interest on the Series B Bonds is not an item of tax preference for purposes of the Code's corporate or individual alternative minimum tax provisions. However, Special Tax Counsel observes that interest on the Series B Bonds is includable in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Series B Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to the Series B Bonds, (ii) interest with respect to the Series B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Series B Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series B Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series B Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series B Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Series B Bond (other than a purchaser who holds such Series B Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Series B Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as interest on the Series B Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Series B Bond and the basis of such Series B Bond acquired at such initial offering price by an initial purchaser of each such Series B Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of such Series B Bonds who purchase such Series B Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Series B Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Series B Bonds. All holders of such Series B Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Series B Bond based on the purchaser's yield to maturity in such Series B Bonds, except that in the case of such a Series B Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Series B Bond. A purchaser of such a Series B Bond is required to decrease his or her adjusted basis in such Series B Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Series B Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Series B Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Series B Bond, and with respect to the state and local tax consequences of owning and disposing of such a Series B Bond.

Certain agreements, requirements and procedures contained or referred to in the District Resolution and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Special Tax Counsel expresses no opinion as to the effect on any Series B Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Special Tax Counsel.

Although Special Tax Counsel has rendered an opinion that interest on the Series B Bonds is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the Series B Bonds, and the accrual or receipt of interest on the Series B Bonds may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of

income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Series B Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Series B Bonds will not have an adverse effect on the tax exempt status or market price of the Series B Bonds.

Internal Revenue Service Audit of Tax-Exempt Issues

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007 on tax-exempt obligations, including the Series B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

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

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series B Bonds and certain other legal matters are subject to receiving the approving opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, substantially in the form set forth in Appendix C hereto, and the final tax opinion of the Law Offices of Samuel Norber, Beverly Hills, California, Special Tax Counsel, substantially in the form set forth in Appendix D hereto. Bond Counsel and Special Tax Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in California

Under provisions of the California Financial Code, the Series B Bonds are legal investments for commercial banks in California to the extent that the Series B 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 securities for deposit of public monies in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Series B Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than eight months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2010-11 fiscal year (which is due no later than March 1, 2012) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board through its Municipal Market Access System, or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System"). The notices of material events will be filed by the Dissemination Agent on behalf of the District with the Municipal Securities Rulemaking Board through the EMMA System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series B Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series B Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series B Bonds or District or County officials who will sign certifications relating to the Series B Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series B Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

Moody's Investors Services ("Moody's") and Standard & Poor's Rating Services ("S&P") have assigned their insured municipal bond rating of "Aa3" (negative outlook) and "AA+" (stable outlook), respectively, to the Series B Bonds with the understanding that, upon delivery of the Series B Bonds, the Insurance Policy will be delivered by AGM. This rating reflects Moody's and S&P's views of the credit worthiness of AGM. In addition, Moody's and S&P have assigned their respective underlying ratings of "A-1" and "A+" to the Series B Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The ratings reflect only the view of the rating agency furnishing

the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Series B Bonds. There is no assurance that any ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency providing the same, 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 Series B Bonds.

Professionals Involved in the Offering

Bowie, Arneson, Wiles & Giannone, Newport Beach, California, is acting as Bond Counsel to the District and the Law Offices of Samuel Norber, Beverly Hills, California, is acting as Special Tax Counsel to the District with respect to the Series B Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series B Bonds. Certain legal matters will be passed on for the District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California. Orrick, Herrington & Sutcliffe LLP is acting as Disclosure Counsel to the District in connection with the issuance of the Series B Bonds. Dolinka Group, LLC, Irvine, California, serves as the District's Financial Consultant. Payment of the fees and expenses of District Counsel, Disclosure Counsel and the Financial Consultant are also contingent upon the issuance and delivery of the Series B Bonds. From time to time, Disclosure Counsel represents the Underwriter on matters unrelated to the Series B Bonds.

Underwriting

The Series B Bonds are being purchased for reoffering to the public by Piper Jaffray & Co. LLC (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on _____, 2011, by and between the Underwriter and the District (the "Purchase Agreement"). The Underwriter has agreed to purchase the Series B Bonds at a price of \$ _____ (consisting of the aggregate principal amount thereof, \$ _____, plus net original issue premium of \$ _____, less Underwriter's discount of \$ _____). The Purchase Agreement provides that the Underwriter will purchase all of the Series B Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series B Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Series B Bonds, allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

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

ALVORD UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Alvord Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series B Bonds is payable from the General Fund of the District or from State revenues. The Series B Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Series B Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES B BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was formally established in 1960 as a unified successor district tracing its original formation history to 1896. The District currently encompasses an area of approximately 26 square miles, is located in the County of Riverside, California (the "County"), and includes territory located both within and around the cities of Riverside and Corona. The County is located in Southern California and is bordered on the north by the County of San Bernardino, on the south by the County of San Diego and the County of Imperial, on the west by the County of Orange and on the east by the Colorado River, which forms the boundary between the states of California and Arizona.

The District provides public education services for grades K-12 and continuing education and adult education services programs. The District, with a current average enrollment of 19,800, operates 14 elementary schools, four middle schools, two high schools and one continuation high school. The District currently employs 929 certificated employees (representing 877 teachers and 52 administrators) and 760 classified employees (including 24 classified managers and supervisors). The District operates under the jurisdiction of the Riverside County Superintendent of Schools.

Board of Education

The governing board of the District is the Board of Education of the Alvord Unified School District (the "Board"). The Board consists of five members who are elected at large to overlapping four-year terms at elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining board members and if there is no majority by a special election. Each December, the Board elects a President, a Vice President and a Clerk to serve one-year terms. The name, office and the month and year of the expiration of the current term of each member of the Board is described below.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)**

Board of Education

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Carolyn M. Wilson	President	December 2011
José Luis Pérez	Vice President	December 2013
Art Kaspereen, Jr.	Clerk	December 2013
Ben Johnson II	Member	December 2011
Greg Kraft	Member	December 2013

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and certain other key administrative personnel is set forth below.

Wendel W. Tucker, Ph.D., Superintendent. Dr. Tucker was appointed Superintendent of the District effective July 1, 2008. Dr. Tucker has served in the District since 1992 as the principal of Arizona Intermediate School, the principal of Villegas Middle School and, most recently as Assistant Superintendent for Operational Support Services. Prior to coming to the District, Dr. Tucker served as an administrator in the Adventist School system. Dr. Tucker has also taught at the college level and is involved in a variety of community activities. Dr. Tucker earned a Bachelor's degree in History from Pacific Union College, a Masters in History from Pacific Union College and a Doctorate in Educational Leadership from Miami University. Dr. Tucker will be retiring from the District effective June 30, 2011; the District is currently in the process of identifying and hiring a successor to Dr. Tucker.

Diana M. Asseier, Assistant Superintendent, Instructional Support Services. Ms. Asseier came to the District after serving as the Assistant Superintendent for Educational Services in Victor Valley Unified High School District. Prior to that, Ms. Asseier was the Principal of Mira Loma Middle School and Ina Arbuckle Elementary School and Assistant Principal of Mission Middle School in Jurupa Unified School District. Ms. Asseier began her career in education as a teacher in 1979. She received her Bachelor's degree in English and Masters in Reading from the California State University Long Beach and received her Administrative Credential Tier I from the University of La Verne and Tier II from the University of California, Riverside.

Craig R. Wells, Assistant Superintendent, Personnel. Mr. Wells came to the District from Temecula Valley Unified School District where he served as Director, Classified Services and for Certificated Services for four years. He has also been a site assistant principal and principal in Simi Valley Unified School District and a high school teacher in Rialto Unified School District. Mr. Wells did his student teaching at one of our alternative education sites, the Motivation Center (now defunct) back in the 1980's and he also owned a small business in Riverside at one time. Mr. Wells earned a Bachelor's degree in religious studies from California Baptist University and a Masters in Computer Education from United States International University. Mr. Wells earned his teaching credential in English and Social Science from University of California, Riverside.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 83% of its general fund revenues from State funds, budgeted at approximately \$122 million in fiscal year 2010-11. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50 percent plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The former Governor signed the 2010-11 Budget on October 8, 2010, the latest budget approval in State history.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary

funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005 and 2009 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts. The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series B Bonds, and the District takes no responsibility for informing owners of the Series B Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the

State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Robles-Wong, et al. v. State of California* (“Robles-Wong”), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State’s program requirements and the needs of individual students. The District cannot predict the outcome of the Robles-Wong litigation, however, if successful, the lawsuit could result in a change in how school funding of education is implemented in the State.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. The lawsuit was decided against the CRA on May 1, 2010. Redevelopment agencies had sued the State over this latter diversion. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes,

and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

2010-11 State Budget. The following information is adapted from a report on the adopted State budget prepared by the Legislative Analyst. The State's fiscal year 2010-11 budget projects \$89 billion of resources available, and \$86 billion of expenditures, with an ending general fund balance of \$1.3 billion. To achieve balance, the state budget includes \$7.8 billion in expenditure cuts, including a reduction of \$1.8 billion in State employee payroll, benefit and related costs, primarily derived from future union agreements or other administrative actions, \$450 million in savings from reduced general fund departmental hiring, and \$130 million in savings from reduced departmental operating costs related to the workforce cap. The budget also assumes the State will receive \$5.4 billion of new federal funding (most of which has yet to be approved by Congress), assumes \$3.3 billion of increased revenue, including \$1.4 billion in higher assumed baseline State revenues, and assumes the State will be authorized and able to make \$2.7 billion of largely one-time loans, transfers and funding shifts.

The spending cuts described above include a \$3.4 billion reduction in education costs due to suspension of the Proposition 98 minimum guarantee. Despite suspension of Proposition 98, ongoing Proposition 98 funding is budgeted to increase \$115 million from the estimated fiscal year 2009-10 funding level to \$49.7 billion, of which the State expects to contribute \$36.2 billion, with local property taxes contributing \$13.4 billion. However, had the Legislature not suspended Proposition 98, the estimated guaranteed amount would have been \$53.8 billion.

The adopted 2010-11 State budget projects that fiscal year 2009-10 spending for education did not fully fund that year's minimum guaranteed amount, creating a new settle-up obligation estimated at \$1.8 billion. The adopted 2010-11 State budget provides \$300 million toward this obligation, which will be provided in the form of \$90 million for annual education mandate costs, and \$210 million for school districts' and community colleges' unpaid prior-year mandate claims, to be distributed on an equal per-student basis.

State Proposition 98 funding for K-12 schools is budgeted to be \$32.2 billion, or about 1.9% higher than the \$31.6 billion spent in 2009-10. Local property tax revenue, however, is expected to decline about 4.8% from the 2009-10 level of \$12.1 billion to contribute \$11.5 billion to K-12 schools in 2010-11. K-12 education is also slated to receive \$1.5 billion in special one-time federal funding, \$1.2 billion of which is from recent federal grants provided to help retain teaching jobs, and \$272 million is from the last round of federal stabilization funding from the 2009 federal stimulus package.

The reliance on one-time solutions in fiscal year 2009-10 has resulted in the need for fiscal year 2010-11 reductions. These reductions are mostly treated as deferrals of payments rather than cuts. The adopted State budget defers \$1.7 billion of funding from spring of 2011 to July of 2011 (the next fiscal year). Virtually all other K-12 reductions are technical adjustments designed to align appropriations with anticipated program costs, such as for the K-3 Class Size Reduction program.

Fiscal Year 2010-11 State Cash Management Legislation. On March 1, 2010, the former Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorizes deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permits deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the State Controller, Treasurer and Director of Finance may either accelerate or delay the deferrals up to 30 days, or reduce

the amounts deferred. The Cash Management Bill also permits the State to move a planned deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provides that the deferral planned for March 2011 must be paid prior to April 30. The Cash Management Bill provides for exceptions to the deferrals for school districts that can demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. The Governor, in the 2011-12 Proposed State Budget, has proposed that similar legislation be enacted for fiscal year 2011-12. See “—Proposed 2011-12 State Budget” below. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and if a bill similar to the Cash Management Bill is enacted for fiscal year 2011-12, the District might find it necessary to increase the size or frequency of its cash flow borrowings in such fiscal year.

Proposed 2011-12 State Budget. The Governor released his proposed fiscal year 2011-12 State budget (the “2011-12 Proposed State Budget”) on January 10, 2011. The 2011-12 Proposed State Budget projects that the State will face a budget gap of \$25.4 billion in fiscal year 2011-12 as a result of a shortfall of \$8.2 billion attributable to fiscal year 2010-11 and a shortfall of \$17.2 billion attributable to fiscal year 2011-12. The 2011-12 Proposed State Budget provides that the 2010-11 State budget relied, in part, on unrealistic assumptions, including the receipt of \$3.6 billion in federal funds and \$1.7 billion in reductions that were not achieved, and indicates that \$26.4 billion in cuts, taxes and other budget measures will be necessary to close the fiscal year 2011-12 budget gap and provide for a reserve of \$1 billion.

The 2011-12 Proposed State Budget recognizes that fiscal year 2010-11 revenues are \$3.1 billion lower than were projected at the time of approval of the 2010-11 State budget, in part due to the recently enacted federal tax relief, unemployment insurance reauthorization, and the Job Creation Act of 2010, as well as the passage of Proposition 22, which prohibits the use of certain transportation funds to pay for debt service or from being loaned to the General Fund, creating an additional budget shortfall of \$1.6 billion. The 2011-12 Proposed State Budget also anticipates that other workload adjustments including population and caseload changes will add \$2.1 billion to the budget gap. The 2011-12 Proposed State Budget reduces spending by \$12.5 billion, including substantial cuts to most major programs, such as \$1.7 billion to Medi-Cal, \$1.5 billion to California’s welfare-to-work program, \$1 billion to the University of California and California State University, \$750 million to the Department of Developmental Services and \$580 million to State operations and employee compensation. The 2011-12 Proposed State Budget proposes a total of \$14 billion in new revenues.

The 2011-12 Proposed State Budget calls for an accelerated timeline to restore balance to the State’s finances and assumes that all necessary statutory changes to implement budget measures will be adopted by the State Legislature and signed by the Governor by March of 2011 to allow certain ballot measures to be placed before the voters at a special statewide election to be called for June 2011.

The 2011-12 Proposed State Budget includes some one-time savings and borrowing, including \$1.8 billion in borrowing from special funds, \$1.7 billion in property tax shifts, \$1.0 billion from the Proposition 10 reserve to fund children’s programs, and \$0.9 billion from Proposition 63 moneys to fund community mental health services. \$8.2 billion of the budget gap is expected to be one-time in nature.

The 2011-12 Proposed State Budget projects the State will have sufficient cash to repay the entire \$10 billion of State revenue anticipation notes as scheduled in May and June 2011. However, absent corrective action, the State will face substantial challenges in meeting all General Fund cash needs beginning in July of 2011 so that, in addition to the current budget proposals, the State will need to obtain external financing early in the 2011-12 fiscal year. The Governor has proposed that legislation

similar to the Cash Management Bill enacted for fiscal year 2010-11 be enacted for fiscal year 2011-12. See “Fiscal Year 2010-11 State Cash Management Legislation” above. Such legislation made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11.

The 2011-12 Proposed State Budget plan includes \$2.2 billion in new inter-year deferrals from 2011-12 to 2012-13, \$2.1 billion of which will derive from K-12 revenue limit payments and \$129 million from community colleges apportionment payments. Such deferrals are in addition to the \$1.7 billion of deferrals that were part of the 2010-11 State budget.

The 2011-12 Proposed State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at the same level for fiscal year 2011-12 as is in effect for fiscal year 2010-11. In an effort to maintain funding for schools, fund public safety services at the local level and to balance the budget, the 2011-12 Proposed State Budget anticipates that current tax rates will be continued for another five years and also proposes to apply the single sales factor income allocation rules uniformly to certain corporate taxpayers and to eliminate an ineffective tax expenditure program. These proposals are expected to generate revenues of \$12 billion. The Governor proposes to place a ballot measure before the voters in a special election to be held in June of 2011 calling for a constitutional measure to extend the four temporary tax increases adopted in February 2009. In the event the voters do not approve the extension of these tax increases, further reductions in spending could be made which would likely impact funding for K-12 education.

As it relates to K-12 education, the 2011-12 Proposed State Budget slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 (\$49.3 billion) from fiscal year 2010 11 (\$49.7 billion) and extends flexibility reforms (discussed below) adopted in 2009 to assist school districts to maintain their core services. Total funding for K-12 education is projected to be \$63.8 billion in fiscal year 2011-12, \$59.5 billion of which is State, federal and local property tax funding accounted for in the 2011-12 Proposed State Budget. Total per-pupil expenditures from all sources are projected to be \$11,154 in fiscal year 2010-11 and \$10,703 in fiscal year 2011-12, including funds provided for prior year “settle-up” obligations. K-12 Proposition 98 per-pupil expenditures in the 2011-12 Proposed State Budget are \$7,344 in 2011-12, down slightly from \$7,358 per-pupil provided in fiscal year 2010-11.

Major workload adjustments for K-12 education included in the 2011-12 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2011-12 Proposed State Budget does not provide a cost-of-living-adjustment (“COLA”) for any K-14 program in fiscal year 2011-12. The projected COLA for 2011-12 is 1.67%, which would have provided an increase of \$964.5 million overall, to the extent Proposition 98 resources were sufficient to provide that adjustment.
- Property Tax. A decrease of \$47.9 million for school district and county office of education revenue limits is made in fiscal year 2010-11 as a result of higher offsets of property tax revenues. An increase of \$155.7 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of reduced offsets of local property tax revenues.
- Average Daily Attendance. An increase of \$81.4 million in fiscal year 2010-11 for school district and county office of education revenue limits is made as a result of an increase in projected ADA and an increase of \$357.5 million in fiscal year 2011-12 for

school district and county office of education revenue limits as a result of continued projected growth in ADA for fiscal year 2011-12.

- Unemployment Insurance. An increase of \$351.8 million in fiscal year 2011-12 is made to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.
- K-14 Mandates Funding. Ongoing funding of \$89.9 million is provided for K-14 mandates to provide level funding relative to fiscal year 2010-11, for reimbursement of state mandated local costs. Current law suspends for three additional years those programs that were suspended during fiscal year 2010-11.

Some significant non-General Fund workload adjustments are as follows:

- School Construction Program. The workload budget includes a \$316 million decrease in fiscal year 2009-10 actual expenditures, a \$2.07 billion increase in fiscal year 2010-11 estimated expenditures and a \$1.97 billion decrease in fiscal year 2011-12 estimated expenditures for school facilities. These amounts are largely attributable to the anticipated allocation of remaining funds from the 1998, 2002, and 2004 bonds. No proposal was made by the Governor to place a school construction bond on the ballot for the 2012 election cycle.
- Child Nutrition Program. An increase of \$36.1 million in fiscal year 2011-12 to the State Department of Education ("SDE") local assistance from federal funds to reflect growth of nutrition programs at schools and other participating agencies and an increase of \$12.0 million in fiscal year 2011-12 to the SDE local assistance from federal funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.

The 2011-12 Proposed State Budget also proposes to extend various flexibility options for school districts for two additional years. Specifically, it extends authority in the following areas:

- Categorical flexibility. For fiscal years 2008-09 through 2012-13, local educational agencies were given broad flexibility to spend funds for approximately 40 K-12 categorical programs for any educational purpose. Under categorical flexibility, a district's allocation for each program is based on its share of total program funding either in fiscal year 2007-08 or 2008-09, with the earlier year being used for certain participation-driven programs.
- Routine Maintenance Contributions. Local educational agencies were proposed to reduce the amount that districts must deposit into a restricted routine maintenance account for the 2008-09 through 2012-13 fiscal years, from 3% of General Fund expenditures to 1%.
- Deferred Maintenance Requirement. The requirement that districts set aside ½% of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.

The complete 2011-12 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of

this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of 2011-12 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the Legislature, released its report on the 2010-11 Proposed State Budget entitled "2011-12 Budget: Overview of the Governor's Budget" on January 12, 2011 (the "2011-12 Budget Overview") in which the LAO agreed that the \$25.4 billion State budget shortfall estimated in the 2011-12 Proposed State Budget was a reasonable estimate. In the 2011-12 Budget Overview, the LAO concurs with the Governor that the major reasons for the current State budget shortfall include the inability of the State to achieve certain previous budget measures, the expiration of various one-time and temporary budget measures approved in recent years, and the failure of the State to obtain significant additional federal funding for key programs. Generally, the 2011-12 Budget Overview recognizes that the 2011-12 Proposed State Budget includes proposals impacting nearly every area of the fiscal year 2011-12 State budget and that the 2011-12 Proposed State Budget is a good starting point for legislative deliberations, recognizing that the focus on multiyear and ongoing measures are necessary to make substantial improvements in the State's budgetary situation. The 2011-12 Budget Overview supports the extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and to the restructuring of the state local relationship in the delivery of services by shifting funding and responsibility to local governments for those services. The 2011-12 Budget Overview responds favorably to the 2011-12 Proposed State Budget proposals to "realign" state and local program responsibilities and to the proposed changes in local economic development efforts. Nonetheless, the LAO believes there are significant risks in the 2011-12 Proposed State Budget, especially in the context of the realignment and redevelopment proposals which involve many unresolved legal, financial and policy issues. The 2011-12 Budget Overview concludes that the State Legislature will have to make difficult decisions on both its spending and tax commitment and that the 2011-12 Proposed State Budget also presents an opportunity to reorder state and local government functions to improve the delivery of public services.

The 2011-12 Budget Overview recognizes that, while the 2011-12 Proposed State Budget includes revenue proposals resulting in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the 2011-12 Proposed State Budget would result in a small programmatic funding decline for K-12 schools and significant reductions for community colleges and child care programs. The 2011-12 Budget Overview also suggests that \$128 million of the anticipated Proposition 98 savings included in the 2011-12 Proposed State Budget cannot be realized and that the assumed \$74 million in savings due to the sunset of the Special Disabilities Adjustment program could violate federal maintenance of effort requirements. In addition, the 2011-12 Budget Overview recommends that the State Legislature could consider a different combination of policy changes to realize child care savings. With respect to community college funding, the 2011-12 Budget Overview supports the 2011-12 Proposed State Budget proposal to increase community college fees.

The 2011 LAO Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2011-12 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2011-12 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The State Budget will be affected by national and State economic conditions and other factors.

Future Budgets and Budgetary 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 or 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 could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2010-11 and in future fiscal years. Continued State budget shortfalls in fiscal year 2010-11 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

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

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2006-07 through 2008-09, (ii) the District's estimated A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2009-10, and (iii) the District's projected A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2010-11, for kindergarten through grade 12 ("K-12") including special education.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2006-07 Through 2010-11**

Fiscal Year	Average Daily Attendance ⁽¹⁾	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2006-07	18,665	19,847	\$5,522
2007-08	18,751	19,987	5,774
2008-09	18,978	20,057	5,625
2009-10	18,861	20,035	5,197
2010-11 ⁽²⁾	18,821	19,934	5,201

⁽¹⁾ Average daily attendance data for the second period of attendance, typically in mid-April of each school year.

⁽²⁾ Projected.

Source: The District.

In its fiscal year 2010-11 second interim report, the District projects that it will receive approximately \$99 million in aggregate revenue limit income in fiscal year 2010-11, or approximately 67.5% of its general fund revenues. This amount represents an increase of approximately 4.9% from the \$94 million the District received in fiscal year 2009-10. State funds for special programs are currently

budgeted to be \$[23 million] for fiscal year 2010-11. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is currently budgeted at \$[2 million] for fiscal year 2010-11.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local one-percent property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a "basic aid district." Local property tax revenues account for approximately 17% of the District's aggregate revenue limit income, and are budgeted to be \$16.5 million, or 11% of total general fund revenue in fiscal year 2010-11. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below.

Developer Fees

The District collects statutory developer fees on new residential and commercial/industrial development to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal years 2006-07 through fiscal year 2010-11.

**ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Developer Fees
Fiscal Years 2006-07 through 2010-11**

Year	Total Revenues
2006-07	\$988,361
2007-08	721,580
2008-09	121,226
2009-10	164,789
2010-11 ⁽¹⁾	50,000

⁽¹⁾ Projected.
Source: The District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the

District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2010, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditors Nigro Nigro & White, PC, a Professional Accountancy Corporation, Temecula, California, for fiscal years 2005-06 through 2009-10.

Nigro Nigro & White, PC, a Professional Accountancy Corporation, has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and has neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2005-2006 through 2009-10

	2005-06 Actuals	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Actuals
REVENUES					
General Revenues:					
Property taxes	\$ 22,709,534	\$ 19,456,691	\$ 20,922,720	\$ 21,356,531	\$ 19,423,025
Federal and state aid not restricted to specific purpose	84,903,867	97,532,758	99,001,364	103,645,051	90,179,187
Interest and investment earnings	905,222	1,180,133	984,744	432,187	101,581
Interagency revenues	-	-	-	114,400	65,800
Miscellaneous	1,172,106	1,598,407	1,103,975	108,039	595,661
Program Revenues:					
Charges for services	-	14,403	275,663	-	-
Operating grants and contributions	29,581,088	35,905,882	35,092,057	34,663,257	34,061,547
Capital grants and contributions	-	-	-	-	-
Total revenues	139,271,817	155,688,274	157,380,523	160,319,465	144,426,801
EXPENDITURES					
Instruction	90,666,403	103,133,623	105,379,675	109,307,541	98,377,911
Instruction-related services					
Supervision of instruction	3,692,345	4,352,646	4,374,122	4,023,479	6,879,918
Instructional library, media and technology	1,416,812	1,574,846	1,799,789	1,686,067	1,606,656
School site administration	9,767,615	10,436,941	11,176,760	10,604,602	7,603,090
Pupil Services:					
Home-to-school transportation	3,168,867	3,269,424	4,144,110	3,595,140	3,263,433
Food services	150	170	-	-	-
All other pupil services	5,651,814	7,076,574	7,299,128	7,349,531	7,310,085
General Administration:					
Data processing	1,176,923	1,452,594	1,425,324	1,392,788	1,414,400
All other general administration	5,665,602	6,412,427	5,890,334	5,565,907	5,845,749
Plant services	12,758,570	13,725,384	14,962,263	16,325,612	14,693,280
Facility acquisition and construction	623,403	754,273	1,708,283	382,949	35,307
Ancillary services	4,461	4,310	5,824	268,594	641,318
Community services	-	-	-	61,505	-
Other outgo:	6,308	5,659	-	-	-
Transfers between agencies	-	-	-	11,210	-
Debt Service – issuance costs	-	-	-	-	-
Debt service – principal	-	-	165,862	52,086	143,379
Debt service – interest	-	-	-	161,054	-
Total expenditures	134,599,273	152,198,871	158,331,574	160,788,065	147,814,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,672,544	3,489,403	(951,051)	(468,600)	(3,387,725)
OTHER FINANCING SOURCES (USES):					
Interfund transfers out	(759,000)	(863,265)	(911,178)	-	-
Interfund transfers in	-	104,636	-	1,813,704	(1,572,858)
Total Other Financing Sources and Uses	(759,000)	(758,629)	(911,178)	1,813,704	(1,572,858)
Net Change in Fund Balances	3,913,544	2,730,774	(1,862,229)	1,345,104	(4,960,583)
Fund Balances, July 1	16,016,467	19,930,011	22,660,785	20,798,556	22,143,660
Fund Balances, June 30	\$ 19,930,011	\$ 22,660,785	\$ 20,798,556	\$ 22,143,660	\$ 17,183,077

Source: District Audited Financial Reports for Fiscal Years 2005-06 through 2009-10.

The following table shows the general fund balance sheets of the District for the fiscal years 2005-06 through 2009-10.

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2005-06 Through 2009-10

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
ASSETS					
Cash	\$ 14,899,814	\$ 13,109,558	\$ 13,518,587	\$ 7,328,078	\$ 964,785
Investments	-	-	-	-	-
Accounts receivable	10,352,700	13,816,233	13,012,188	22,853,067	23,544,151
Due from other funds	-	423,909	372,895	1,209,025	970
Stores inventory	271,510	319,466	274,869	205,049	245,112
Total Assets	\$25,524,024	\$27,669,166	\$27,178,539	\$ 31,595,219	\$ 24,755,018
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 2,573,313	\$ 3,287,065	\$ 3,494,875	\$ 5,093,176	\$ 2,461,232
Due to other funds	1,058,768	1,128,232	1,245,149	1,515,463	3,468,396
Deferred revenues	1,961,932	593,084	1,639,959	2,842,920	1,642,313
Total Liabilities	\$ 5,594,013	\$ 5,008,381	\$ 6,379,983	\$ 9,451,559	\$ 7,571,941
FUND BALANCES					
Reserved for:					
Stores inventories	271,510	319,466	274,869	205,049	245,112
Revolving cash	15,000	15,000	15,000	15,000	15,000
Legally restricted balances	6,174,118	11,863,151	10,841,276	10,991,017	-
Debt service	-	-	-	-	-
Categorical programs	-	-	-	-	6,872,002
Unreserved, reported in:					
General Fund	13,469,083	10,463,168	9,667,411	10,932,594	10,050,963
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	19,930,011	22,660,785	20,798,556	22,143,660	17,183,077
Total Liabilities and Fund Balances	\$ 25,524,024	\$ 27,669,166	\$ 27,178,539	\$ 31,595,219	\$ 24,755,018

Source: District Audited Financial Reports for fiscal years 2005-06 through 2009-10.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Riverside County Superintendent of Schools.

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to 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 with the established standards. If the budget is

disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year's financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then 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 will so notify the State Superintendent of Public Instruction, 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, after also consulting with the district's governing 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 a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District received a qualified certification for its second interim report for fiscal year 2007-08. The District has never received a negative certification.

On March 18, 2010, the Board of Education approved the District's second interim financial report for the period ended January 31, 2010, with a positive certification. However, the County Superintendent changed the certification from positive to qualified.

On December 9, 2010, the Board of Education approved the District's first interim report for the period ended October 31, 2010, with a qualified certification.

On March 17, 2011, the Board of Education approved the District's second interim report for the period ended January 31, 2011, with a qualified certification. The projections included in the report indicate that the District will not have a positive General Fund ending balance in fiscal years engage in deficit spending in each of fiscal years 2010-11, 2011-12 and 2012-13 and that the District will not meet its required available reserve amount for fiscal year 2011-12 or fiscal year 2012-13. In the report, the

~~Board of Education stated that it is prepared to authorize implementation of \$400,000 in expenditure reductions in fiscal year 2011-12 and \$8,000,000 in 2012-13 which, at the time of the report, are deemed necessary, per the multi-year financial projections, in order to maintain fiscal solvency and meet the minimum State required reserves 2012-13 (0.48% of expenditures, rather than the required 3%).~~

The following table summarizes the District's adopted general fund budgets for fiscal years 2008-09 and 2009-10, unaudited actuals for fiscal years 2008-09 and 2009-10, and second interim report for fiscal year 2010-11.

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
General Fund Budgets for Fiscal Years 2008-09 and 2009-10,
Unaudited Actuals for Fiscal Years 2008-09 and 2009-10
and Second Interim Report for Fiscal Year 2010-11

	2008-09 Original Adopted Budget	2008-09 Unaudited Actuals	2009-10 Original Adopted Budget	2009-10 Unaudited Actuals	2010-11 Second Interim Report
REVENUES					
Revenue Limit Sources	\$ 110,665,637.00	\$ 106,695,788.70	\$ 105,544,235.00	\$ 94,477,731.83	\$ 99,098,603.00
Federal Revenue	5,941,750.00	17,163,707.37	14,570,687.00	16,075,655.88	18,134,403.00
Other State Revenue	19,502,663.00	28,760,008.60	23,886,855.00	26,016,630.63	23,990,420.00
Other Local Revenue	7,788,640.00	7,699,960.47	6,674,760.00	7,856,783.31	5,455,642.00
TOTAL REVENUES	143,898,690.00	160,319,465.14	150,676,537.00	144,426,801.65	146,679,068.00
EXPENDITURES					
Certificated Salaries	79,274,013.00	86,204,988.26	78,923,567.00	76,659,823.72	74,365,768.00
Classified Salaries	17,993,725.00	19,656,953.27	20,348,002.00	18,749,215.68	19,155,410.24
Employee Benefits	25,596,835.00	30,039,124.37	28,866,870.00	29,225,845.98	29,914,832.00
Books and Supplies	6,311,464.00	7,789,419.04	11,030,317.00	6,342,514.50	8,022,095.65
Services, Other Operating Expenditures	14,363,950.00	16,695,975.05	16,705,507.00	16,838,033.36	17,953,531.84
Capital Outlay	549,444.00	413,174.79	253,805.00	159,108.22	165,717.45
Other Outgo (excluding Transfers of Indirect/Direct Supporting Costs)	167,000.00	165,861.66	204,000.00	125,449.82	204,000.00
Transfers of Indirect/Direct Support Costs	-	(177,431.56)	-	(305,463.12)	(289,151.00)
TOTAL EXPENDITURES	144,529,431.00	160,788,064.88	156,332,069.00	147,814,528.16	149,492,204.18
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES					
	(630,741.00)	(468,599.74)	(5,655,532.00)	(3,387,726.51)	(2,813,136.18)
OTHER FINANCING SOURCES/USES					
Interfund Transfers					
Transfer In	-	1,813,704.00	600,000.00	-	800,000.00
Transfers Out	33,000.00	-	-	1,572,858.00	796,495.00
Other Sources/Uses					
Sources	-	-	-	-	-
Uses	-	-	-	-	-
Contributions	-	-	-	-	-
TOTAL, OTHER SOURCES (USES)	(33,000.00)	1,813,704.00	600,000.00	(1,572,858.00)	3,505.00
NET INCREASE (DECREASE) IN FUND BALANCE					
	(663,741.00)	1,345,104.26	(5,055,532.00)	(4,960,584.51)	(2,809,631.18)
BEGINNING FUND BALANCE, July 1					
	17,675,443.00	20,798,556.16	17,720,814.00	22,143,660.42	17,183,075.91
ENDING BALANCE, June 30	\$ 17,011,702.00	\$ 22,143,660.42	\$ 12,665,282.00	\$ 17,183,075.91	\$ 14,373,444.73

Source: District Adopted General Fund Budgets for fiscal years 2008-09 and 2009-10; unaudited actuals for fiscal years 2008-09 and 2009-10; and second interim report for fiscal year 2010-11.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2010, consisted of the following :

	Balance July 1, 2009		Deductions	Balance June 30, 2010	Amount Due Within One Year
General Obligation Bonds:					
Series 2002 Bonds	\$ 43,855,000	\$	\$ 1,360,000	\$ 41,075,000	\$ 1,420,000
Series A Bonds	60,000,000	-	1,600,000	57,150,000	1,250,000
Unamortized Premium, net	2,468,653	1,033,424	129,597	3,062,034	310,446
Total General Obligation Bonds	106,323,653	1,033,424	3,089,597	101,287,034	2,980,446
Bond Anticipation Notes:					
2009 Bond Anticipation Notes	60,000,000	51,999,374	-	111,999,394	--
Unamortized Premium, net	-	1,033,424	25,836	1,007,588	206,685
Total Bond Anticipation Notes	60,000,000	53,032,818	25,836	113,006,982	206,685
Community Facilities District					
Bonds	12,205,000	-	225,000	11,980,000	235,000
Lease Revenue Bonds -					
Qualified Zone Academy Bonds	1,263,775	-	143,379	1,120,396	148,452
Supplemental Retirement Plan	3,276,318	4,052,775	1,031,014	6,298,079	1,667,335
Compensated Absences	127,186	-	23,096	104,090	-
STRS Golden Handshake	207,033	-	72,655	134,378	68,977
Other Post Employment Benefits	2,531,822	1,491,054	-	4,022,876	-
Total	\$185,934,787	\$ 58,576,647	\$ 4,584,741	\$239,926,693	\$5,100,210

General Obligation Bonds. On November 1, 2002, the District, through the County, issued a series of general obligation bonds (the "Series 2002 Bonds") in the amount of \$52,810,000. The Series 2002 Bonds were issued in order to refund bonds issued pursuant to a 1997 election. The Series 2002 Bonds consist of (a) Serial Bonds of \$31,215,000 with interest rates ranging from 2.3% to 5.9% and fully maturing on July 1, 2021, (b) Term Bonds of \$8,045,000 with a stated interest rate of 5.9% due on February 1, 2024, and (c) Term Bonds of \$13,550,000 with a stated interest rate of 5.9% and maturing on August 1, 2030. At June 30, 2010, the principal balance outstanding on the Series 2002 Bonds was \$42,495,000.

At an election duly called and regularly held in the District on November 6, 2007 (the "Authorization"), the qualified electors of the District authorized the issuance of not to exceed \$196,000,000 aggregate principal amount of general obligation bonds of the District (herein called, the "General Obligation Bonds"). On May 1, 2008, the District, through the County, issued \$60,000,000 aggregate principal amount of the General Obligation Bonds (the "Series A Bonds"), leaving \$136,000,000 aggregate principal amount of the General Obligation Bonds authorized but unissued. The Series A Bonds consist of (a) Serial Bonds of \$39,305,000 with interest rates ranging from 3.5% to 5.0% and fully maturing on August 1, 2028, and (b) Term Bonds of \$20,695,000 with a stated interest rate of 5.0% and fully maturing on August 1, 2032. At June 30, 2010, the outstanding balance on the Series A Bonds was \$58,400,000.

The annual debt service requirements to amortize the Series 2002 Bonds, the Series A Bonds and the aggregate outstanding General Obligation Bonds are as follows:

Date	Series 2002 Bonds	Series A Bonds	Aggregate Total
August 1, 2011	\$ 3,836,785.00	\$ 3,282,865.00	\$ 7,119,650.00
August 1, 2012	3,833,922.50	3,384,665.00	7,218,587.50
August 1, 2013	3,829,246.25	3,482,265.00	7,311,511.25
August 1, 2014	3,831,378.75	3,586,865.00	7,418,243.75
August 1, 2015	3,833,561.25	3,696,590.00	7,530,151.25
August 1, 2016	3,829,907.50	3,804,790.00	7,634,697.50
August 1, 2017	3,828,102.50	3,921,015.00	7,749,117.50
August 1, 2018	3,829,512.50	4,039,590.00	7,869,102.50
August 1, 2019	3,823,842.50	4,157,340.00	7,981,182.50
August 1, 2020	3,830,502.50	4,283,390.00	8,113,892.50
August 1, 2021	3,824,050.00	4,411,090.00	8,235,140.00
August 1, 2022	3,814,485.00	4,543,340.00	8,357,825.00
August 1, 2023	3,812,102.50	4,682,750.00	8,494,852.50
August 1, 2024	3,818,215.00	4,821,000.00	8,639,215.00
August 1, 2025	3,810,625.00	4,965,750.00	8,776,375.00
August 1, 2026	3,807,267.50	5,116,000.00	8,923,267.50
August 1, 2027	3,802,700.00	5,270,750.00	9,073,450.00
August 1, 2028	1,523,430.00	5,429,000.00	6,952,430.00
August 1, 2029	1,530,830.00	5,589,750.00	7,120,580.00
August 1, 2030	594,912.50	5,757,000.00	6,351,912.50
August 1, 2031	-	5,929,500.00	5,929,500.00
August 1, 2032	-	6,111,000.00	6,111,000.00
	<u>\$68,645,378.75</u>	<u>\$100,266,305.00</u>	<u>\$168,911,683.75</u>

Bond Anticipation Notes. On June 1, 2009, the District issued its General Obligation Bond Anticipation Notes in the amount of \$60,000,000 (the "2009 BANs"). The 2009 BANs were issued to finance certain capital improvements of the District approved by the voters and to pay certain costs of issuance of the Series A Bonds as a temporary financing source until the next series of General Obligation Bonds may be issued. The issuance consists of term 2009 BANs with a stated interest rate of 4.69%. The 2009 BANs fully mature on December 1, 2011. At June 30, 2010, the outstanding principal was \$60,000,000.

On May 26, 2010, the District issued its General Obligation Bond Anticipation Notes in the amount of \$51,999,394 (the "2010 BANs"). The 2010 BANs are being issued in anticipation of the sale of General Obligation Bonds of the District authorized under and pursuant to the Authorization. The proceeds from the sale of the 2010 BANs will be used to provide a portion of the funds necessary to finance the acquisition and construction of facilities authorized to be financed with the General Obligation Bonds. The 2010 BANs will not pay interest on a current, periodic basis but will accreted in value daily from their initial principal amount as of their dated date to their maturity date, compounded semiannually on each May 1 and November 1, from and including November 1, 2010. The 2010 BANs have a stated interest rate of 5.159%. At June 30, 2010, the outstanding balance of the 2010 BANs was \$51,999,394.

The annual requirements to amortize the outstanding 2009 BANs and 2010 BANs is as follows:

Fiscal Year	Principal	Interest	Total
2010-11	\$ -	\$ 2,214,000	\$2,214,000
2011-12	60,000,000	1,107,000	61,107,000
2012-13	-	-	-
2013-14	-	-	-
2014-15	51,999,394	14,845,000	66,844,394
Total	<u>\$111,999,394</u>	<u>\$18,166,000</u>	<u>\$130,165,394</u>

Special Tax Bonds. A summary of all the bonds issued by community facilities districts (“CFDs”) formed by the District is shown below.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010
CFD No. 01-1	11/20/2002	9/1/2033	2.5%-6.25%	\$1,880,000	0	\$ -	\$ 35,000	\$ 1,695,000
CFD No. 02-1	6/3/2004	9/1/2034	2.5%-6.1%	1,745,000	1,625,000	-	30,000	1,595,000
CFD No. 06-1A	3/15/2007	9/1/2036	3.8%-5.0%	4,560,000	4,525,000	-	80,000	4,445,000
CFD No. 06-1B	3/15/2007	9/1/2036	3.8%-5.0%	4,360,000	4,325,000	-	80,000	4,245,000
					<u>\$12,205,000</u>	<u>\$ -</u>	<u>\$225,000</u>	<u>\$11,980,000</u>

Community Facilities District No. 01-1. On November 20, 2002, Community Facilities District No. 01-1 (“CFD No. 01-1”) of the District issued \$1,880,000 of its Special Tax Bonds, Series 2002 (the “Series 2002 CFD Bonds”). The Series 2002 CFD Bonds were issued to provide funds to pay the costs and expense of improvement, acquisition and construction of certain public school facilities, to establish a reserve fund for the Series 2002 CFD Bonds, fund certain sewer improvements to be owned and operated by the Western Municipal Water District (“WMWD”), fund capitalized interest on the Series 2002 CFD Bonds through March 1, 2004, and to pay the costs of issuing the Series 2002 CFD Bonds. The Series 2002 CFD Bonds are payable from the proceeds of a special tax to be levied within CFD No. 01-1 according to the rate and method of apportionment of the special taxes approved by the qualified electors of CFD No. 01-1 pursuant to the Mello-Roos Community Facilities Act of 1982 (the “Mello-Roos Act”).

The annual debt service requirements to amortize the Series 2002 CFD Bonds outstanding as of June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2010-11	\$ 35,000	\$ 101,567	\$ 136,567
2011-12	35,000	99,859	134,859
2012-13	40,000	97,945	137,945
2013-14	40,000	95,845	135,845
2014-15	40,000	93,695	133,695
2015-20	250,000	428,939	678,939
2020-25	335,000	341,252	676,252
2025-30	450,000	220,293	670,293
2030-34	470,000	61,250	531,250
Totals	<u>\$1,695,000</u>	<u>\$1,540,645</u>	<u>\$3,235,645</u>

Community Facilities District No. 02-1. On June 3, 2004, Community Facilities District No. 02-1 ("CFD No. 02-1") of the District issued \$1,745,000 of its Special Tax Bonds, Series 2004 (the "Series 2004 CFD Bonds"). The Series 2004 CFD Bonds were issued to provide funds to pay the costs and expense of acquisition and construction of certain public school facilities, to establish a reserve fund for the Series 2004 CFD Bonds to fund capitalized interest on the Series 2004 CFD Bonds through March 1, 2005, to fund certain sewer improvements to be owned and operated by WMWD, and to pay the costs of issuing the Series 2004 CFD Bonds. The Series 2004 CFD Bonds are payable from the proceeds of a special tax to be levied within CFD No. 02-1 according to the rate and method of apportionment of the special taxes approved by the qualified electors of CFD No. 02-1 pursuant to the Mello-Roos Act.

The annual debt service requirements to amortize the Series 2004 CFD Bonds outstanding as of June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2010-11	\$ 30,000	\$ 89,204	\$ 119,204
2011-12	35,000	87,778	122,778
2012-13	35,000	86,178	121,178
2013-14	35,000	84,524	119,524
2014-15	40,000	82,694	122,694
2015-20	225,000	379,997	604,997
2020-25	290,000	309,484	599,484
2025-30	390,000	210,618	600,618
2030-35	515,000	79,460	594,460
Totals	\$1,595,000	\$1,409,937	\$3,004,937

Community Facilities District No. 06-1. On March 15, 2007, Community Facilities District No. 06-1 ("CFD No. 06-1") of the District issued \$4,560,000 of its Special Tax A Bonds, Series 2006 (the "06-1 CFD Series A Bonds"). The 06-1 CFD Series A Bonds were issued to provide funds to pay the costs of financing the construction and acquisition of public facilities to be owned and operated by the District, to fund a reserve fund for the 06-1 CFD Series A Bonds, to fund capitalized interest on the 06-1 CFD Series A Bonds through March 1, 2008, to fund capitalized interest on the 06-1 CFD Series A Escrow Term Bond through September 1, 2008, to pay initial administrative expenses of CFD No. 06-1 and to pay the costs of issuing the 06-1 CFD Series A Bonds. The 06-1 CFD Series A Bonds are payable from the proceeds of a special tax approved by the qualified electors of CFD No. 06-1 pursuant to the Mello-Roos Act.

The annual debt service requirements to amortize the 06-1 CFD Series A Bonds outstanding as of June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2010-11	\$ 90,000	\$ 214,523	\$ 304,523
2011-12	90,000	211,081	301,081
2012-13	95,000	207,365	302,365
2013-14	100,000	203,510	303,510
2014-15	100,000	199,391	299,391
2015-20	590,000	926,956	1,516,956
2020-25	725,000	781,729	1,506,729
2025-30	920,000	594,033	1,514,033
2030-35	1,180,000	348,190	1,528,190
2035-38	555,000	62,182	617,182
Totals	\$4,445,000	\$3,748,960	\$8,193,960

On March 15, 2007, CFD No. 06-1 of the District issued \$4,360,000 of its Special Tax B Bonds, Series 2006 (the "06-1 CFD Series B Bonds"). The 06-1 CFD Series B Bonds were issued to provide funds to pay the costs of financing the construction and acquisition of public facilities to be owned and operated by the City of Corona, City of Riverside and WMWD, to fund a reserve fund for the 06-1 CFD Series B Bonds, to fund capitalized interest on the 06-1 CFD Series B Bonds through September 1, 2008, to pay initial administrative expenses of CFD No. 06-1 and to pay the costs of issuing the 06-1 CFD Series B Bonds. The 06-1 CFD Series B Bonds are payable from the proceeds of a special tax approved by the qualified electors of CFD No. 06-1 pursuant to the Mello-Roos Act.

The annual debt service requirements to amortize the 06-1 CFD Series B Bonds outstanding as of June 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 80,000	\$ 204,905	\$ 284,905
2011-12	90,000	201,685	291,685
2012-13	90,000	198,190	288,190
2013-14	95,000	194,436	289,436
2014-15	100,000	190,522	290,522
2015-20	560,000	885,268	1,445,268
2020-25	705,000	745,225	1,450,225
2025-30	880,000	564,755	1,444,755
2030-35	1,115,000	331,135	1,446,135
2035-38	530,000	59,197	589,197
Totals	<u>\$4,245,000</u>	<u>\$3,575,318</u>	<u>\$7,820,318</u>

Qualified Zone Academy Bond. On December 3, 2002, the District entered into a site lease agreement with the Corporation for the purpose of financing the cost of purchasing technology equipment. The lease financing was entered into under the qualified zone academy bond ("QZAB") provisions of the Internal Revenue Code.

Lease payments for the QZABs will be required as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
2010-11	\$114,449	\$ 34,002	\$ 148,451
2011-12	114,450	39,231	153,681
2012-13	114,450	44,649	159,099
2013-14	114,450	50,273	164,723
2014-15	114,450	56,102	170,552
2015-17	228,899	94,990	323,889
Totals	<u>\$801,148</u>	<u>\$319,248</u>	<u>\$1,120,396</u>

Golden Handshake. The District entered into an agreement with the Alvard Educators Association to offer the golden handshake agreement for eligible certificated employees of the District. The agreement calls for the District to make the following remaining installment payments:

Fiscal Year	
2010-11	\$ 68,977
2011-12	65,401
Total	<u>\$134,378</u>

Other Post-Employment Benefits. For a description of the District's other post-employment benefits, see "– Other Post-Employment Benefits" below.

Supplemental Early Retirement Program (SERP). In 2008, the District agreed to provide a Supplemental Early Retirement Program (SERP) to eligible employees who elected early retirement by July 1, 2008. Fifteen employees who met the eligibility requirements, elected early retirement. Five payments of \$127,838 are being paid over a five year period starting July 2008. The accumulated future liability for the District at June 30, 2010, amounts to \$255,676.

During fiscal year 2009-10, the District entered into an agreement for an Early Retirement Incentive for eligible employees. The agreement requires the District to make five equal annual installment payments for the 45 employees who participate in the plan. The future obligation under this plan is \$6,042,403.

Employment

As of June 30, 2010, the District employed 972 certificated professionals and approximately 800 classified employees. For the year ended June 30, 2010, the total certificated and classified payrolls were \$76 million and \$18 million, respectively.

The certificated professionals, except management and some part-time employees, are represented by the employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Alvord Educators Association	877	June 20, 2012
California School Employees Association	736	June 20, 2011

Source: The District.

Retirement Benefits

The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service

at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a \$118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional \$92 million from the State’s general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial \$23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2009, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of \$40.5 billion, an increase of \$18 billion from the June 30, 2008 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor’s 2005–06 Proposed State Budget and the 2005-06 May Revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to the proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been suggested that would modify the District’s obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the District’s annual obligations to CalSTRS would likely increase substantially.

The District’s employer contributions to CalSTRS for fiscal years 2006-07, 2007-08, 2008-09 and 2009-10 were \$6,811,141, \$6,717,243, \$6,991,699 and \$6,289,761, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalSTRS for fiscal year 2010-11 will be approximately \$5,641,990.

CalPERS. All qualifying classified employees of K through 12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts’ participating in CalSTRS, the school districts’ contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2010, the CalPERS Plan for Schools had a funded ratio of 65% on a market value of assets basis. The funded ratio as of June 30, 2009 and June 30, 2008 was 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

The District’s employer contributions to CalPERS for fiscal years 2006-07, 2007-08, 2008-09 and 2009-10 were \$1,723,527, \$3,013,782, \$3,117,968 and \$3,035,915, respectively, and were equal to

100% of the required contributions for each year. The District projects that its employer contributions to CalPERS for fiscal year 2010-11 will be approximately \$3,056,703.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010, Note 11.”

Other Post Employment Benefits (OPEBs)

In addition to the retirement plan benefits with CalSTRS and CalPERS, the District provides certain post retirement healthcare benefits, in accordance with District employment contracts, to eligible employees who retire from the District on or after attaining age 55 with at least 10 years of service. The benefits consist of health insurance benefits (medical, dental and vision) and are provided to eligible retirees up to age 65. As of July 1, 2008, 109 retirees met these eligibility requirements and were receiving benefits.

The Governmental Accounting Standards Board (“GASB”) released its Statement Number 45 (“Statement Number 45”), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) liabilities much like municipalities are required to account for pension benefits. As required by Statement Number 45, the District implemented the Statement Number 45 requirements in fiscal year 2007-08. See Note 12 to the District’s financial statements attached hereto as APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2010.”

The Epler Company, San Diego, California (the “Actuary”), has prepared the District’s most recent actuarial valuation of the District’s retiree health insurance benefits and reports that, as of ~~July~~January 1, 2008, 2011, the District had an unfunded actuarial accrued liability of ~~\$19,718,611~~ [21,859,477]. [As of the valuation date, the District had not identified any funds as plan assets under Statement Number 45.]

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 District’s ARC for fiscal year 2007-08 was \$1,499,548, of which the District contributed 47.5%. The ARC for fiscal year 2008-09 was \$2,016,338, of which the District contributed 15.4%. The District’s ARC for fiscal year 2009-10 was \$2,117,772, of which the District contributed 28.6%, resulting in a net OPEB obligation of \$4,022,876.]

Joint Ventures

The District is a member of the Southern California Regional Liability Excess Fund (ReLiEF) and the Benefits Liability Excess Fund (BeLiEF) joint powers authorities (“JPAs”). The District pays an annual premium to each entity for its health, vision and life insurance coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes as explained below.

These entities have budget and financial reporting requirements independent of member units and their financial statements are not presented in the financial statements of the District; however, fund

transactions between the JPAs and the District are included in the financial statements of the District. Audited financial statements are available from the respective JPAs.

The District has not appointed board members to the Governing Board of the JPAs.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in

the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution ("Article XIII B"). Under Article XIII B state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of monies which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. *In general terms, the appropriations limit* is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2009-10 fiscal year are equal to the allowable limit of \$95,529,930, and estimates an appropriations limit for 2010-11 of \$92,814,849. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIII C and Article XIII D of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related

fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K through 12 school districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9% percentage, 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, the Governor and other fiscal observers expect the Accountability Act 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 XIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION — State Funding of Education; State Budget Process."

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 98 and 111, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

Board of Education of the
Alvord Unified School District
10365 Keller Avenue
Riverside, CA 92505

Re: \$ _____ Alvord Unified School District
General Obligation Bonds, 2007 Election, Series B
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Alvord Unified School District ("District") in connection with the proceedings for the issuance and sale by the District of \$ _____ principal amount of Alvord Unified School District General Obligation Bonds, 2007 Election, Series B ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Education of the District, adopted on November 18, 2010 (Resolution No. 17) ("District Resolution"), and a Resolution of the Board of Supervisors of the County of Riverside ("County"), adopted on November 30, 2010 ("County Resolution" and collectively with the District Resolution, the "Bond Resolution"), and in accordance with the provisions of the California Constitution, statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapters 1 and 1.5 of the State of California Education Code, commencing with Section 15100.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County and the purchaser of the Bonds, including certificates as to factual matters as we have deemed necessary to render this opinion.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. The opinions may be affected by actions or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events occur. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures

or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents.

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

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

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to ad valorem taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County of Riverside is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX D

PROPOSED FORM OF OPINION OF SPECIAL TAX COUNSEL

Upon delivery of the Series B Bonds, the Law Offices of Samuel Norber, Beverly Hills, California, Special Tax Counsel to the Alvord Unified School District, expects to render its final approving opinion with respect to the Series B Bonds in substantially the following form:

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

SUMMARY OF COUNTY OF RIVERSIDE INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL

Riverside County Treasury Pool

The following information has been provided by the Treasurer of the County, and the District takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the Treasurer of the County.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of ~~February~~ March 28, 2011, the portfolio assets comprising the PIF had a market value of ~~\$5,309,842,410.56~~ 5,421,230,535.75.

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, 2010, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County 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 2010 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 Pooled Investment Fund as of June of ~~February~~ March 28, 2011, were as follows:

U.S. Treasury Securities	\$	6.34	<u>10.83%</u>
	336,396,000	587,358	
		<u>500</u>	
Federal Agency Securities	4,495,599,220	4,175	84.67
		<u>290,880</u>	<u>77.02</u>
Cash Equivalent & Money Market Funds	274,000,000	322,000	5.16
		<u>000</u>	<u>5.94</u>
Commercial Paper	64,981,630	149,735	1.22
		<u>600</u>	<u>2.76</u>
Medium Term Notes		-	0.00
Municipal Notes	38,255,560	86,235.5	0.72
		<u>60</u>	<u>1.59</u>
Certificates of Deposit	100,000,000		1.88
Local Agency Obligation ⁽¹⁾	610,000		0.01
	<u>\$5,309,842,440</u>	<u>5,42</u>	<u>100.00%</u>
		<u>1,230,536⁽²⁾</u>	
Yield Based Upon Book Value	0.71	0.67%	
Weighted Average Maturity	1.31	1.27	
	Years		

⁽¹⁾ Represents County obligations issued by the Riverside District Court Financing Corporation.

⁽²⁾ Total may not add due to rounding.

As of ~~February~~ March 28, 2011, the market value of the PIF was ~~99.91~~ 99.86% 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. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA/MR1" from Moody's Investors Service and "AAA/VI" 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.

For additional information, see the APPENDIX G – "COUNTY INVESTMENT POLICY."

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and neither has made an assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described herein.

APPENDIX G
COUNTY INVESTMENT POLICY

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series B Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series B Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series B Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 Standard & Poor's highest rating: AAA. 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

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

APPENDIX I

CAPITAL APPRECIATION BONDS
TABLE OF ACCRETED VALUES

APPENDIX J

CONVERTIBLE CAPITAL APPRECIATION BONDS
TABLE OF ACCRETED VALUES

APPENDIX K
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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