

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

720A



**FROM:** Don Kent, Treasurer/Tax Collector

**SUBMITTAL DATE:**  
July 29, 2010

**SUBJECT:** Resolution No. 2010-227 – Corona Norco Unified School District Fiscal Year 2010-2011 Tax and Revenue Anticipation Notes (Vote on Separately)

**RECOMMENDED MOTION:** That your Honorable Board approve and adopt Resolution No. 2010-227 providing for the issuance and sale of Tax and Revenue Anticipation Notes for the Corona-Norco Unified School District (the "District") in a principal amount not to exceed \$50,000,000.

**BACKGROUND:** Government Code Section 53853 provides that a school district's tax and revenue anticipation notes are to be issued by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over that district. The Riverside County Superintendent of Schools has jurisdiction over the District, therefore the District has requested, by resolution, that the Board of Supervisors issue Corona-Norco Unified School District Tax and Revenue Anticipation Notes on behalf of the District. The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2010-2011 fiscal year.

(Continued on page two)

Don Kent, Treasurer-Tax Collector

FORM APPROVED COUNTY COUNSEL  
BY: Dale A. Gardner  
DATE: 7/26/10  
Departmental Concurrence

<b>FINANCIAL DATA</b>	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

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

**C.E.O. RECOMMENDATION:**

APPROVE

BY:   
Rob Rockwell

**County Executive Office Signature**

Consent     Policy  
 Consent     Policy

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Stone, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley  
 Nays: None  
 Absent: None  
 Date: August 10, 2010  
 xc: Treasurer

Kecia Harper-Ihem  
 Clerk of the Board  
 By:   
 Deputy

**Prev. Agn. Ref.:** ATTACHED WITH THE CLERK OF THE BOARD **Agenda Number:**

**3.80**

Date: July 29, 2010  
From: Treasurer-Tax Collector  
Subject: Resolution No. 2010-227  
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Resolution No. 2010-227 authorizes the issuance of Corona-Norco Unified School District Tax and Revenue Anticipation Notes in a principal amount not to exceed \$50,000,000. The District has pledged certain of its unrestricted revenues to be received or accrued during fiscal year 2010-2011 for the repayment of the Notes.

When issued, the notes will represent a general obligation of the District. The Notes will not constitute an obligation of the County. No funds of the County are pledged to the repayment of the Notes.

The Office of County Counsel has reviewed Resolution No. 2010-227 and has approved it as to form.

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RESOLUTION NO. 2010-227

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY PROVIDING FOR THE ISSUANCE OF CORONA-NORCO UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, STATE OF CALIFORNIA, 2010-11 TAX AND REVENUE ANTICIPATION NOTES

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1 BOARD OF SUPERVISORS,  
2 RIVERSIDE COUNTY, STATE OF CALIFORNIA

3 RESOLUTION NO. 2010-227

4 RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE  
5 COUNTY PROVIDING FOR THE ISSUANCE OF CORONA-NORCO  
6 UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, STATE OF  
7 CALIFORNIA, 2010-11 TAX AND REVENUE ANTICIPATION NOTES

8 WHEREAS, pursuant to Section 53850 *et seq.* of the Government Code of the State  
9 of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing"  
10 that provides for temporary borrowing by certain local agencies, on or after the first day of  
11 any fiscal year (being July 1), a school district may borrow money by issuing notes for any  
12 purpose for which the school district is authorized to expend moneys, including but not  
13 limited to current expenses, capital expenditures, and the discharge of any obligation or  
14 indebtedness of the school district; and

15 WHEREAS, Section 53853 of the Act provides that such notes must be issued in the  
16 name of the school district by the board of supervisors of a county, the county superintendent  
17 of which has jurisdiction over the school district, as soon as possible following the receipt of  
18 a resolution of the governing board of the school district requesting the borrowing; and

19 WHEREAS, the County Superintendent of Riverside County (the "County") has  
20 jurisdiction over the Corona-Norco Unified School District (the "District"), and this Board of  
21 Supervisors of the County (the "County Board") has received a resolution of the Board of  
22 Education of the District (the "District Board"), being the governing board of the District,  
23 dated July 20, 2010, entitled "RESOLUTION OF THE BOARD OF EDUCATION OF THE  
24 CORONA-NORCO UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF  
25 2010-11 TAX AND REVENUE ANTICIPATION NOTES FOR THE DISTRICT AND  
26 REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO  
27 ISSUE THE NOTES" (the "District Resolution") which District Resolution requests the  
28 borrowing of not exceeding Fifty Million Dollars (\$50,000,000) at an interest rate not to  
exceed the maximum rate allowed by law, through the issuance by the County Board of  
2010-11 Tax and Revenue Anticipation Notes (the "Notes") in the name of the District; and

WHEREAS, such Notes shall be payable on a date that is not later than fifteen  
months after the date of issue, and such Notes shall be payable only from the District's  
revenue received or accrued during the fiscal year in which issued; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes,  
income, revenue, cash receipts or other moneys deposited in inactive or term deposits (but  
excepting certain moneys encumbered for a special purpose); and the District Resolution  
specifies that certain unrestricted revenues that will be received or accrued by the District for  
the General Fund of the District during fiscal year 2010-11 are pledged for the payment of  
the Notes; and

WHEREAS, the Notes shall be a general obligation of the District, and to the extent  
not paid from the taxes, income, revenue, cash receipts and other moneys of the District

FORM APPROVED COUNTY COUNSEL  
BY W. A. Gardner 7/26/10 DATE  
DALE A. GARDNER

1 pledged for the payment thereof shall be paid with interest thereon from any other moneys of  
2 the District lawfully available therefor, as required by Section 53857 of the Act, and shall not  
in any way be payable from County moneys; and

3 WHEREAS, the Notes shall be in denominations of \$5,000 or integral multiples  
4 thereof, as permitted by Section 53854 of the Act; shall be issued on a date to be designated,  
5 as permitted by Section 53853 of the Act; and shall be in the form and executed in the  
manner prescribed in the District Resolution and herein, as required by Section 53853 of the  
6 Act; and

7 WHEREAS, the County Board has no independent knowledge of but accepts the  
8 determination by the District that said \$50,000,000 maximum principal amount of Notes to  
9 be issued by the County Board in fiscal year 2010-11, when added to the interest payable  
10 thereon, does not exceed eighty-five percent (85%) of the estimated amount of the  
uncollected taxes, income, revenue (including but not limited to revenue from state and  
11 federal governments), cash receipts and other moneys of the District which will be available  
for the payment of the Notes and interest thereon, as required by Section 53858 of the Act;  
and

12 WHEREAS, the District has determined that the Notes will not be outstanding after a  
13 period ending fifteen months after the date on which such Notes are issued and will not be  
14 issued in an amount greater than the maximum anticipated cumulative cash flow deficit to be  
15 financed by the anticipated tax or other revenue sources for the period for which such taxes  
or other revenues are anticipated and during which such Notes are outstanding, all as  
provided in Section 1.103-14(c) of the Income Tax Regulations of the United States  
16 Treasury;

17 NOW, THEREFORE, the Board of Supervisors of Riverside County hereby resolves  
18 as follows:

19 Section 1. Authorization of Issuance of Notes; Terms Thereof; Paying Agent.  
20 The County Board hereby authorizes the issuance, in the name of the District, of an amount  
21 not to exceed \$50,000,000 principal amount of Notes under the Act, designated "Corona-  
22 Norco Unified School District, Riverside County, State of California, 2010-11 Tax and  
23 Revenue Anticipation Notes" (the "Notes"); to be numbered from 1 consecutively upward in  
24 order of issuance; to be in the denominations of \$5,000, or integral multiples thereof; to be  
25 dated the date of delivery thereof; to mature on the date set forth in the official statement  
26 pertaining to the Notes (the "Official Statement"), but in no event later than fifteen months  
27 after the date of issuance, or if such date is not a day on which banks in New York or  
California are open for business, on the last day such banks are open for business prior to  
such date, without option of prior redemption unless otherwise provided for in the Notes and  
in the Official Statement; and, unless otherwise provided for in the Notes and in the Official  
Statement, to bear interest, payable on or before the twelve month anniversary following the  
date of issuance and at maturity and computed on a 30-day month/360-day year basis at the  
rate or rates determined at the time of sale thereof, but not in excess of six percent (6%) per  
annum. Both the principal of and interest on the Notes shall be payable, only upon surrender  
thereof, in lawful money of the United States of America at the office of U.S. Bank National  
Association, which is hereby designated to be the paying agent for the Notes (together with  
any successor, the "Paying Agent"). No interest shall be payable on any Note for any period

1 after maturity during which the registered owner thereof fails to properly present such Note  
2 for payment. The District may appoint another national banking association with corporate  
3 trust offices in Los Angeles, California, to serve as Paying Agent with the consent of the  
4 Treasurer-Tax Collector of Riverside County (the "Treasurer-Tax Collector") or may request  
5 the Treasurer-Tax Collector to serve as Paying Agent. This Board hereby approves the  
6 payment of the reasonable fees and expenses of the Paying Agent as they shall become due  
7 and payable.

8 Section 2. Form of Notes. The Notes shall be issued in registered form, without  
9 coupons, and shall be substantially in the form and substance set forth in Exhibit A attached  
10 hereto and by reference incorporated herein, the blanks in said form to be filled in with  
11 appropriate words and figures. The Notes shall be initially registered in the name of "Cede &  
12 Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in  
13 the full principal amount of the Notes. The Depository Trust Company, New York, New  
14 York is hereby appointed depository for the Notes (the "Depository"). Registered ownership  
15 may not thereafter be transferred except as set forth in Section 4 hereof. There shall be  
16 simultaneously delivered with each Note, the legal opinion of Stradling Yocca Carlson &  
17 Rauth, a Professional Corporation respecting the validity of said Notes.

18 Section 3. Transfer and Exchange of Notes. In the event the Notes are no longer  
19 registered in the name of "Cede & Co.", the registration of any Note may, in accordance with  
20 its terms, be transferred, upon the registration books kept by the Paying Agent for such  
21 purpose, by the person in whose name it is registered, in person or by his or her duly  
22 authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery  
23 of a written instrument of transfer, duly executed in a form approved by the Paying Agent.

24 Whenever any Note shall be surrendered for transfer of registration or exchange, the  
25 Paying Agent shall execute and deliver a new Note or Notes, for a like aggregate principal  
26 amount in one or more authorized denominations. The Paying Agent shall require the Note  
27 owner requesting such transfer of registration or exchange to pay any tax or other  
28 governmental charge required to be paid with respect to such transfer or exchange. The  
Paying Agent may require the owner requesting such transfer of registration or exchange to  
pay such additional reasonable charge as may be necessary to cover customary expenses  
incurred and fees charged by the Paying Agent with respect to such transfer of registration or  
exchange. The Paying Agent may treat the registered owner of any Note as the absolute  
owner thereof for all purposes whatsoever in accordance with this resolution, and the Paying  
Agent shall not be affected by any notice to the contrary.

Section 4. Use of Depository.

(A) The Notes shall be initially registered as provided in Section 2 hereof.  
Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred  
except:

(1) To any successor of Cede & Co., as nominee of The Depository Trust  
Company, or its nominee, or to any substitute depository designated pursuant to clause (2) of  
this Section 4(A) (a "substitute depository"); provided, that any successor of Cede & Co., as  
nominee of The Depository Trust Company or a substitute depository, shall be qualified  
under any applicable laws to provide the services proposed to be provided by it;

1 (2) To any substitute depository not objected to by the Paying Agent,  
2 upon (i) the resignation of The Depository Trust Company or its successor (or any substitute  
3 depository or its successor) from its functions as depository, or (ii) a determination by the  
4 Treasurer-Tax Collector to substitute another depository for The Depository Trust Company  
5 (or its successor) because The Depository Trust Company or its successor (or any substitute  
depository or its successor) is no longer able to carry out its functions as depository;  
provided, that any such substitute depository shall be qualified under any applicable laws to  
provide the services proposed to be provided by it; or

6 (3) To any person as provided below, upon (i) the resignation of The  
7 Depository Trust Company or its successor (or substitute depository or its successor) from its  
8 functions as depository, or (ii) a determination by the County to remove The Depository  
Trust Company or its successor (or any substitute depository or its successor) from its  
functions as depository.

9 (B) In the case of any transfer pursuant to clause (1) or clause (2) of  
10 subsection (A) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent,  
11 together with a request of the District to the Paying Agent, a new Note shall be executed and  
12 delivered in the aggregate principal amount of the Notes registered in the name of such  
13 successor or such substitute depository, or their nominees, as the case may be, all as specified  
14 in such request of the District. In the case of any transfer pursuant to clause (3) of subsection  
15 (A) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent together  
16 with a request of the District to the Paying Agent, new Notes shall be executed and delivered  
in such denominations numbered in the manner determined by the Paying Agent and  
registered in the names of such persons as are requested in such a request of the District;  
provided, the Paying Agent shall not be required to deliver such new Notes within a period  
less than sixty (60) days from the date of receipt of such a request of the District. Thereafter,  
Notes shall be transferred pursuant to Section 3 hereof.

17 (C) The Paying Agent shall be entitled to treat the person in whose name  
18 any Note is registered as the owner thereof for all purposes of this resolution and any  
19 applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or  
20 the District; and the Paying Agent shall have no responsibility for transmitting payments to,  
21 communication with, notifying, or otherwise dealing with any beneficial owners of the Notes  
and neither the District nor the Paying Agent will have any responsibility or obligations, legal  
or otherwise, to the beneficial owners of the Notes or to any other party, including The  
Depository Trust Company or its successor (or substitute depository or its successor), except  
for the registered owner of any Notes.

22 (D) So long as the outstanding Notes are registered in the name of Cede &  
23 Co. or its registered assigns, the Paying Agent shall cooperate with Cede & Co., as sole  
24 registered owner, or its registered assigns in effecting payment of the principal of and interest  
25 on the Notes by arranging for payment in such manner that funds for such payments are  
properly identified and are made immediately available on the date they are due.

26 Section 5. Deposit of Note Proceeds. The moneys borrowed by the District  
27 through the issuance of the Notes shall be deposited in the General Fund of the District.

1           Section 6.       Payment of Notes.

2           (A)       Source of Payment. The principal amount of the Notes, together with  
3 the interest thereon, shall be payable from taxes, income, revenue, cash receipts, and other  
4 money of the District as provided in Section 53856 of the Act, which are received or accrued  
5 during fiscal year 2010-11 for the General Fund of the District and which are lawfully  
6 available for the payment of current expenses and other obligations of the District (the  
7 "Unrestricted Revenues"), and are not payable from moneys of the County. The Notes shall  
8 be a general obligation of the District, and to the extent the Notes and the interest thereon are  
9 not paid from the Unrestricted Revenues transferred to the Repayment Fund, defined below,  
10 the Notes shall be paid with interest thereon from any other moneys of the District lawfully  
11 available therefor, as provided in the District Resolution and by law. Notwithstanding  
12 anything to the contrary contained herein or in any document mentioned herein or related to  
13 the Notes, the County shall not have any monetary liability hereunder or by reason hereof or  
14 in connection with the transactions contemplated hereby and the Notes shall be payable  
15 solely from the moneys of the District available therefor as set forth in this Section and in  
16 Section 4 of the District Resolution. Further, the County shall have no responsibility for or  
17 liability as a result of the use of the proceeds of the sale of the Notes.

18           (B)       Pledged Revenues and Other Moneys. As security for the payment of  
19 the principal of and interest on the Notes, as provided in the District Resolution, the District  
20 has pledged to transfer to the Repayment Fund (i) the first Unrestricted Revenues received by  
21 the District in the month ending July 31, 2011 until an amount equal to seventy percent  
22 (70%) of the aggregate principal amount of the Notes is on deposit therein; and (ii) the first  
23 Unrestricted Revenues received by the District in the month ending August 31, 2011 until an  
24 amount equal to the aggregate principal amount of and interest due on the Notes through  
25 maturity is on deposit therein; provided, however, that the foregoing dates and deposit  
26 amounts may be changed to other dates and amounts as provided for in the Notes upon their  
27 delivery and in the Official Statement and such dates shall be the operative dates for this  
28 Section 6(B) as if set forth in this paragraph and shall be binding on the District (such  
pledged amounts being hereinafter called the "Pledged Revenues").

          The principal of the Notes and the interest thereon shall be a first lien and  
charge against and shall be payable from the first moneys received by the District from such  
Pledged Revenues as provided in Section 53856 of the Act and upon amounts in the  
Repayment Fund.

          In the event that there are insufficient Unrestricted Revenues received by the  
District to permit the deposit of the full amount of Pledged Revenues to be deposited in the  
Repayment Fund from Unrestricted Revenues in any month, then the amount of such  
deficiency shall be satisfied and made up from any other moneys of the District lawfully  
available for the repayment of the Notes and the interest thereon, all as provided in Sections  
53856 and 53857 of the Act (the "Other Moneys"). Such Other Moneys and any Unrestricted  
Revenues shall be transferred to the Repayment Fund on a daily basis, as such amounts are  
received by the District, until the required deposits to the Repayment Fund for such month  
and any prior month have been made.

          (C)       Deposit of Pledged Revenues and Other Moneys in Repayment Fund.  
The Pledged Revenues and any Other Moneys transferred in accordance with Section 6(B)



1 above shall be held (in accordance with the District Resolution) in a special fund to be held  
2 by the Treasurer-Tax Collector designated as the "Corona-Norco Unified School District,  
3 Riverside County, State of California, 2010-11 Tax and Revenue Anticipation Notes  
4 Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this  
5 resolution. Any moneys accounted for in the Repayment Fund shall be for the benefit of the  
6 holders of the Notes, and until the Notes and all interest thereon are paid or until provision  
7 has been made for the payment of the Notes at maturity with interest to maturity, the moneys  
8 accounted for in the Repayment Fund shall be applied only for the purposes for which the  
9 Repayment Fund is created and, except for the disbursement of any excess amount as  
10 described in Section 6(D) below, the District shall have no right to withdraw such moneys for  
11 any other purpose.

12 (D) Disbursement and Investment of Moneys in Repayment Fund. From  
13 the date this resolution takes effect, all Pledged Revenues and Other Moneys shall, when  
14 received, be deposited in the Repayment Fund. After such date as the amount of Pledged  
15 Revenues and Other Moneys deposited in the Repayment Fund shall be sufficient to pay in  
16 full the principal of and interest on the Notes, when due, any moneys in excess of such  
17 amount remaining in or accruing to the Repayment Fund shall be transferred to the General  
18 Fund of the District upon the request of the District. On the maturity date of the Notes, the  
19 moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of  
20 and interest on the Notes.

21 Moneys in the Repayment Fund shall be invested in accordance with the provisions  
22 of the District Resolution. To the extent that moneys invested or held by the County are  
23 subject to arbitrage rebate, neither the County nor any officer or employee of the County  
24 shall assume hereunder or under the provisions of any rebate certificate any duty or  
25 obligation to make the actual calculations of arbitrage rebate liability of the District, or to pay  
26 any such rebate or any penalties in regard thereto if the District miscalculates or fails to pay  
27 or cause such rebate or such penalties to be paid.

28 Section 7. Execution of Notes. The Chairman of the County Board is hereby  
authorized to sign the Notes manually or by facsimile signature, the Treasurer-Tax Collector  
is hereby authorized to sign the Notes manually or by facsimile signature and the Clerk of the  
County Board (the "Clerk") is hereby authorized to countersign the Notes manually or by  
facsimile signature, provided that at least one of the foregoing or the Paying Agent shall sign  
manually, and the Clerk is authorized to affix the seal of the County thereto by facsimile  
impression thereof. Each of the foregoing officers is authorized and requested to cause the  
blank spaces in the form of the Notes attached hereto as Exhibit A to be filled in with the  
appropriate information and for such other changes to be made to the Notes so as to conform  
them to the terms upon which they are sold.

Section 8. Approval of Contract of Purchase. The Notes shall be sold by  
negotiated sale to Piper Jaffray & Co. (the "Underwriter"). The form of Contract of Purchase  
for the Notes, substantially in the form presented to this meeting and on file with the Clerk of  
the County Board is hereby approved. The Treasurer-Tax Collector, or the Treasurer-Tax  
Collector's designee, is hereby authorized to execute and deliver the Contract of Purchase on  
behalf of the County, such approval to be conclusively evidenced by his or her execution and  
delivery thereof; provided, however, that the maximum interest rate on the Notes shall not  
exceed six percent (6%) per annum and the underwriter's discount shall not exceed one

1 quarter of one percent (0.25%) of the par amount of the Notes. The Treasurer-Tax Collector,  
2 or the Treasurer-Tax Collector's designee, is hereby further authorized to determine the  
3 maximum principal amount of Notes to be specified in the Contract of Purchase, up to  
4 \$50,000,000, and to enter into and execute the Contract of Purchase with the Underwriter, if  
5 the conditions set forth in this resolution are satisfied.

6 Section 9. Authorization of Preliminary Official Statement and Official  
7 Statement. The District will prepare a Preliminary Official Statement and an Official  
8 Statement relating to the Notes, to be used by the Underwriter in connection with the offering  
9 and sale of the Notes. The Superintendent of the District, the Assistant Superintendent,  
10 Business Services or the written designee of either have been authorized to execute and  
11 deliver the Official Statement on behalf of the District and to deem "final" pursuant to  
12 Rule 15c2-12 of the Securities Exchange Act of 1934 the preliminary Official Statement  
13 prior to its distribution.

14 Section 10. Delivery of Notes. The proper officers of the County Board are  
15 hereby authorized and directed to deliver the Notes to the Underwriter in accordance  
16 herewith. All actions heretofore taken by the officers and agents of the County Board with  
17 respect to the sale and issuance of the Notes are hereby approved, confirmed and ratified, and  
18 the officers of the County Board are hereby authorized and directed, for and in the name and  
19 on behalf of the County Board, to do any and all things and take any and all actions and  
20 execute and deliver any and all certificates, agreements and other documents, which they, or  
any of them, may deem necessary or advisable in order to consummate the lawful issuance  
and delivery of the Notes in accordance with this resolution and the District Resolution.

21 Section 11. Further Actions Authorized. It is hereby covenanted that the County,  
22 and its appropriate officials, have duly taken all proceedings necessary to be taken by them,  
23 and will take any additional proceedings necessary to be taken by them, for the levy,  
24 collection and enforcement of the taxes income, revenue, cash receipts and other moneys  
25 pledged under the District Resolution in accordance with the law in order to consummate the  
26 lawful issuance and delivery of the Notes in accordance with the District Resolution and to  
27 manage the Note proceeds and repayment funds, including, without limitation, the execution  
28 and delivery of agreements with paying agents, security depositories and investment  
agreement providers, and for otherwise carrying out the provisions of the District Resolution  
and of this resolution.

21 Section 12. Investment of Note Proceeds. Notwithstanding anything to the  
22 contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the  
23 Notes in the event and to the extent sufficient Pledged Revenues of the District and Other  
24 Moneys are not deposited into the Repayment Fund as required by the District Resolution. In  
25 addition to investments in the Treasurer-Tax Collector's Investment Pool, pursuant to Section  
26 53601(1) of the Government Code of the State of California, the following are hereby  
27 designated as additional authorized investments for the proceeds of the Notes and the  
28 Repayment Fund: (i) a guaranteed investment contract with a financial institution or  
insurance company which has, or its guarantor has, at the date of execution thereof one or  
more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a  
claims paying ability rated not lower than the second highest rating category (without regard  
to subcategories) by Standard & Poor's Ratings Services and Moody's Investors Service (in  
which case, the District Board has authorized the Superintendent or the Assistant

1 Superintendent, Business Services of the District to execute a certificate of indemnity holding  
2 the Treasurer-Tax Collector and the County, its officers, employees and servants harmless  
3 and indemnifying them from any costs, liabilities, claims or damages, including but not  
4 limited to attorneys' fees, caused by or arising from the investment of the funds in such an  
5 instrument, or, alternatively, a written agreement to pay for any costs, liabilities, claims or  
6 damages, including but not limited to attorneys' fees, to the Treasurer-Tax Collector, the  
7 County, its officers, employees and servants, caused by or arising from the investment of the  
8 funds in such an instrument); or (ii) the Local Agency Investment Fund (LAIF) administered  
9 by the State of California.

10 Section 13. Recitals. All the recitals in this resolution above are true and correct  
11 and this County Board so finds, determines and represents.

12 Section 14. Effective Date. This resolution shall take effect immediately upon its  
13 passage.

14 The foregoing resolution was adopted by the Board of Supervisors of the County of  
15 Riverside on August 10, 2010.

16 ROLL CALL:

17 Ayes: Buster, Tavaglione, Stone, Benoit, and Ashley  
18 Nays: None  
19 Absent: None

20 The foregoing is certified to be a true copy of a resolution duly  
21 adopted by said Board of Supervisors on the date therein set forth.

22 KECIA HARPER-IHEM, Clerk of said Board

23 By: \_\_\_\_\_  
24 Deputy

**EXHIBIT A**  
**FORM OF NOTE**

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

CORONA-NORCO UNIFIED SCHOOL DISTRICT  
RIVERSIDE COUNTY  
STATE OF CALIFORNIA  
2010-11 TAX AND REVENUE ANTICIPATION NOTE

<u>Rate of Interest:</u>	<u>Note Date:</u>	<u>Maturity Date:</u>	<u>CUSIP:</u>
_____%	_____, 200	_____, 2011	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

FOR VALUE RECEIVED, the Corona-Norco Unified School District (the "District"), Riverside County, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assignee, at the office of U.S. Bank National Association, or its successor (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date set forth above, together with interest thereon at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year composed of twelve 30-day months), in like lawful money of the United States of America from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only to the Registered Owner hereof upon surrender of this Note at the office of the Paying Agent as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) all of like tenor and effect, made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of Riverside County duly passed and adopted on August 10, 2010 and a Resolution of the Board of Education of the District duly passed and adopted on July 20, 2010 under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code (the "Resolutions"), and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been

performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received or accrued by the District for the General Fund of the District during fiscal year 2010-11 to the extent provided in the Resolutions. As security for the payment of the principal of and interest on the Notes, the District has pledged to transfer to the Repayment Fund (i) the first Unrestricted Revenues (as defined in the Resolutions) received by the District in the month ending July 31, 2011 until an amount equal to seventy percent (70%) of the aggregate principal amount of the Notes is on deposit therein; and (ii) the first Unrestricted Revenues received by the District in the month ending August 31, 2011 until an amount equal to the aggregate principal amount of and interest due on the Notes through maturity is on deposit therein (such pledged amounts being hereinafter called the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

The Notes represent an obligation of the District and are not an obligation of the County, and no funds of the County are pledged to the repayment of the Notes.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolutions, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co. has an interest herein.

IN WITNESS WHEREOF, Riverside County has caused this Corona-Norco Unified School District, Riverside County, State of California, 2010-11 Tax and Revenue Anticipation Note to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors by facsimile signature and countersigned by the Treasurer-Tax Collector by manual signature and has caused a facsimile of its official seal to be printed hereon this \_\_\_ day of \_\_\_\_, 2010.

RIVERSIDE COUNTY

By: \_\_\_\_\_ [Facsimile Signature]  
Chairman of the Board of Supervisors

By: \_\_\_\_\_ [Manual Signature]  
Treasurer-Tax Collector

(SEAL)

Countersigned

By: \_\_\_\_\_ [Signature]  
Clerk of the Board of Supervisors

**CERTIFICATE OF AUTHENTICATION**

This note is one of the notes described in the Resolutions referred to herein which has been authenticated and registered on \_\_\_\_\_, 2010.

U.S. BANK NATIONAL ASSOCIATION, as  
Paying Agent

By: \_\_\_\_\_  
Its: Authorized Officer

LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes.

[Facsimile Signature]

\_\_\_\_\_  
Clerk of the Board of Supervisors

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the \_\_\_\_\_ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed by:

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

§ \_\_\_\_\_  
**CORONA-NORCO UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
2010-11 TAX AND REVENUE ANTICIPATION NOTES**

**CONTRACT OF PURCHASE**

\_\_\_\_\_, 2010

County of Riverside  
Board of Supervisors  
4080 Lemon Street, 5th Floor  
Riverside, California 92501

Corona-Norco Unified School District  
2820 Clark Avenue  
Norco, California 92860

The undersigned, Piper Jaffray & Co. (the "Underwriter"), offers to enter into the following agreement (this "Contract of Purchase") with the County of Riverside, California (the "County"), and the Corona-Norco Unified School District (the "District"), which, upon acceptance of this offer by the County and the District will be binding upon the County, the District and the Underwriter. This offer is made subject to acceptance of this Contract of Purchase by the County and the District on or before 5:00 p.m., California time, on the date hereof, and, if this Contract of Purchase is not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the County and the District.

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase Corona-Norco Unified School District, County of Riverside, State of California, 2010-11 Tax and Revenue Anticipation Notes (the "Notes") in the aggregate principal amount of \$\_\_\_\_\_.

Inasmuch as this purchase and sale represents a negotiated transaction, the County and the District understand, and hereby confirm, that the Underwriter is not acting as a fiduciary of the County or the District, but rather is acting solely in its capacity as Underwriter for its own account.

The Notes shall be dated the date of initial execution and delivery, shall mature on \_\_\_\_\_ 1, 2011, and shall bear interest at the rate of \_\_\_\_\_% per annum (with a yield to maturity of \_\_\_\_\_%). The aggregate purchase price to be paid by the Underwriter for the Notes is hereby agreed to be \$\_\_\_\_\_ (representing the principal amount of \$\_\_\_\_\_ plus original issue premium of \$\_\_\_\_\_ less the Underwriter's discount of \$\_\_\_\_\_). Such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery are referred to as the "Closing."

In connection with the offering and sale of the Notes, the District hereby ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of



the Preliminary Official Statement dated \_\_\_\_\_, 2010, relating to the Notes (including the cover page and Appendices thereto, the "Preliminary Official Statement") which, as of its date, the District has deemed final (and hereby confirm and ratify such determination) for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, ("Rule 15c2-12") except for information permitted to be omitted therefrom by Rule 15c2-12. The District agrees to deliver to the Underwriter as many definitive copies of the Preliminary Official Statement, as amended to conform to the terms of this Contract of Purchase and with such other changes and amendments as are mutually agreed upon by the Underwriter and the District (the "Official Statement"), as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 and with Rule G-2 and all other rules of the Municipal Securities Rulemaking Board. The District agrees to deliver such copies of the final Official Statement within seven business days after the execution of this Contract of Purchase.

2. The Notes shall be delivered and secured under the resolutions adopted by the District on July 20, 2010 (the "District Resolution") and the County adopted on \_\_\_\_\_, 2010 (the "County Resolution" and together with the District Resolution, the "Resolutions"). The principal and interest evidenced by the Notes shall be payable as provided in the Resolutions and as described in the Official Statement. All capitalized items not defined herein shall have the meanings set forth in the Resolutions. The District shall irrevocably deposit with and pledge and transfer to the Underwriter, who is the registered owner of each Note for the benefit of the Owners of the Notes as applicable, and such deposit, transfer and pledge shall constitute a first and exclusive lien on the principal and interest payments of the Notes for the purpose and on the terms set forth in the Resolutions. The Note of the District shall be registered in the name of the Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") and held for the benefit of the owners of the Notes to secure the payment of principal and interest represented by Notes. The issuance of the Notes, and the approval of the execution and delivery of the Notes, have been duly and validly authorized or acknowledged by the County and the District pursuant to the Resolutions.

The County and the District hereby authorize the Underwriter to use and distribute the Resolutions, the Preliminary Official Statement and the Official Statement and the information contained in each such document in connection with the offering and the sale of the Notes.

3. At 9:00 a.m., California time, on \_\_\_\_\_, 2010, or at such earlier or later time or date as shall be agreed by the County, the District and the Underwriter (such time and date being herein referred to as the "Closing Date"), the County and the District will deliver to the Underwriter, for redelivery through DTC, in New York, New York (or such other location as may be designated by the Underwriter), the Notes in the form of one or more (as may be required by DTC) fully registered Notes (which may be typewritten) duly executed in accordance with the Resolutions, and will deliver or cause to be delivered to the Underwriter in Los Angeles, California (or such other location as may be designated by the Underwriter), the other documents herein mentioned. It shall be a condition to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Notes, that the entire aggregate principal amount of the Notes authorized to be executed and delivered by the Resolutions shall be sold and delivered at the Closing. The Underwriter will accept such delivery and pay the purchase price of the Notes as set forth in Section 1 herein by wire transfer in immediately available funds. Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Notes nor any error with

respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Notes on the Closing Date in accordance with the terms of this Contract of Purchase. The Notes shall be made available to the Underwriter, not later than one business day before the Closing Date for purposes of inspection and packaging. Upon initial issuance, the ownership of such Notes shall be registered in the registration books kept by the Underwriter in the name of Cede & Co., as the nominee of DTC.

4. The District represents, warrants and agrees as follows:

(a) the District is, and will be at the Closing Date, a duly organized, validly existing and operating school district pursuant to the laws of the State of California (the "State") with full power and authority to cause the Notes to be issued by the County on its behalf and to observe and perform the covenants and agreements set forth in the District Resolution, and this Contract of Purchase;

(b) by official action of the District, prior to or concurrently with the acceptance hereof, the District (i) has duly authorized the distribution of the Preliminary Official Statement, approved and authorized the distribution of the Official Statement, and (ii) adopted the District Resolution, and authorized and approved the execution and delivery of this Contract of Purchase, and the performance of its obligations contained in the Notes, the District Resolution, and this Contract of Purchase, and (iii) the District Resolution is in full force and effect and has not been amended or supplemented as of the date hereof, and covenants that it will advise the Underwriter promptly of any proposal to amend or supplement the District Resolution;

(c) the adoption of the District Resolution and the execution and delivery of this Contract of Purchase and the Note, and compliance with the provisions on the District's part contained therein do not and will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement or other instrument to which the District is a party or by which the District or, to its knowledge, any of its properties are bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District which materially adversely affects the security for the Notes under the terms of any such law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust bond, note, resolution, agreement or other instrument, except as provided in the District Resolution;

(d) all consents, approvals and authorizations of governmental or regulatory authorities or by or on behalf of any creditors or any other third party for the valid execution and delivery of the Notes and this Contract of Purchase, and the performance of the District's obligations contained herein and therein, have been obtained and are in full force and effect;

(e) other than as set forth in the Official Statement, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, public board or body, which has been formally served on the District or, to the knowledge of the District, pending or threatened against the District seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes or the pledge or application of the Notes

pursuant to the District Resolution, to an extent which would have a materially adverse effect on the security for the Notes or in any way contesting or affecting the validity of any proceedings of the District taken concerning the issuance or sale of the Notes, the District Resolution and this Contract of Purchase or any other agreement or instrument to which the District is a party or by which the District or any of its properties are bound or the federal tax exempt status of interest on the Notes or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, as amended or supplemented, or the existence or powers of the District relating to the issuance of the Notes, the adoption of the District Resolution or the execution and delivery of this Contract of Purchase;

(f) all representations and warranties set forth in the District Resolution are true and correct on the date hereof and are made for the benefit of the Underwriter as if set forth herein;

(g) a copy of the District Resolution has been delivered to the Underwriter, and the District Resolution will not be amended or repealed without the consent of the Underwriter, which consent will not be unreasonably withheld;

(h) the District has not issued and will not issue any obligation or obligations, other than the Notes, to finance the working capital deficit for which the Notes are being issued;

(i) both at the time of acceptance hereof by the District and at the Closing Date, and at all times subsequent thereto during the period up to and including twenty-five (25) days after the end of the underwriting period (as described below), the Official Statement is and will be true, correct and complete in all material respects and the Official Statement does not and will not, as of the Closing Date and at all times subsequent thereto during the period up to and including twenty-five (25) days after the end of the underwriting period (as described below), omit to state any material fact necessary to make the statements and information contained therein, in the light of the circumstances under which they were made, not misleading in any material respect; it being further understood that no such representation or warranty shall apply to statements or information in the Official Statement concerning DTC and its book-entry system, under the caption "COUNTY INVESTMENT POOL" and in Appendix F thereto;

(j) if between the date of this Contract of Purchase and twenty-five (25) days after the end of the underwriting period (as described below) an event occurs or facts or conditions become known, of which the District has knowledge, which in the opinion of the Underwriter, might or would cause the information in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if in the opinion of the Underwriter such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the District will amend or supplement the Official Statement in a form and in a manner approved by the Underwriter. Unless otherwise notified by the Underwriter in writing, the District can assume that the underwriting period (as defined in Rule 15c2-12) ends on the Closing Date;

(k) the terms and provisions of this Contract of Purchase comply in all material respects with the requirements of the District Resolution, and on the Closing Date, the

District Resolution will be in full force and effect and will not have been supplemented or amended, and this Contract of Purchase constitutes, and the District Resolution, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute, the valid and binding obligations of the District, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(l) the District is not in violation or breach of or default under any applicable law or administrative rule or regulation of the United States or any state thereof having jurisdiction over the District or its properties, or of any department, division, agency or instrumentality of any state thereof, or any applicable court judgment or administrative decree or order, or any lease, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise (to its knowledge) subject or bound, or to which any of its property is otherwise subject, which in any way materially affects the issuance of the Notes or the validity thereof, this Contract of Purchase or the District Resolution, or materially adversely affects the ability of the District to perform any of its obligations under any thereof;

(m) any certificate signed by an authorized officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District in connection with this Contract of Purchase to the Underwriter as to the statements made therein for the purposes for which such statements are made;

(n) the District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, as the Underwriter may reasonably request in order to qualify the Notes for offer and sale under the Blue Sky or securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may request; provided, however, that the District will not be required to consent to service of process in any such jurisdiction or to qualify as a foreign corporation in any such jurisdiction;

(o) upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the District shall deposit with the Underwriter the Notes, as described herein and in the District Resolution. The Notes shall be issued in substantially the form set forth in the District Resolution, without coupons in the full principal amount of \$\_\_\_\_\_ (the District acknowledges that the Underwriter has not participated in any of the matters pertaining to investment of the Note proceeds and that the Underwriter has no responsibility for such investments or any bidding procedures with respect thereto);

(p) the District Resolution creates a valid pledge of, lien on, and first security interest in, the proceeds of the Notes and the other funds and assets purported to be pledged under such District Resolution, prior in right to any other pledge, lien or security interest in the proceeds of the Notes or such other funds and assets;

(q) the District shall cause the Notes, duly executed and authenticated, together with the other documents hereinafter mentioned, to be delivered to the Underwriter at 8:00 a.m., California time, on the Closing Date or at such other time or date as may be mutually agreeable to the County, the District and the Underwriter, at the Newport Beach office of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), or such other place as the County, the District and the Underwriter shall mutually agree. The proceeds of sale

of the Notes net of Underwriter's discount of \$ \_\_\_\_\_ and net of costs of issuance of \$ \_\_\_\_\_ to be paid by the Underwriter on behalf of the District shall be deposited with and be held by the County on behalf of the District;

(r) the District shall undertake pursuant to the District Resolution to provide notices of certain events, if material, as described in the Preliminary Official Statement and the Official Statement;

(s) for budgeting and finance reporting purposes in accordance with Education Code Section 33128.1, the District shall recognize all Unrestricted Revenues (as defined in the District Resolution) that are deferred for payment by the State of California from fiscal year 2010-11 as a receivable in fiscal year 2010-11; and

(t) the District agrees, to provide or cause to be provided to the Municipal Securities Rulemaking Board in a timely manner notice of certain material events respecting the Notes in accordance with the terms of the Continuing Disclosure Certificate attached to the Official Statement and to be executed by the District upon the issuance of the Notes. These agreements have been made in order to assist the Underwriter in complying with the Rule. Except as disclosed in the Preliminary Official Statement, the District has not in the previous five years failed to comply in any material respect, and is as of the date hereof in compliance in all material respects, with its disclosure obligations under any prior undertaking related to the Rule to provide annual reports or notices of material events.

5. The County represents, warrants and agrees as follows:

(a) The County is, and will be at the Closing date, a duly organized, validly existing and operating political subdivision pursuant to the laws of the State, with full power and authority to issue the Notes on behalf of the District and to observe and perform the covenants and agreements set forth in the County Resolution and this Contract of Purchase.

(b) by official action of the County, prior to or concurrently with the acceptance hereof, the County (i) has adopted the County Resolution, and authorized and approved the execution and delivery of this Contract of Purchase, and the performance of its obligations contained in the Notes, the County Resolution and this Contract of Purchase, and (ii) the County Resolution is in full force and effect and has not been amended or supplemented as of the date hereof, and covenants that it will advise the Underwriter promptly of any proposal to amend or supplement the County Resolution.

(c) the adoption of the County Resolution and the execution and delivery of this Contract of Purchase and the Notes, and compliance with the provision on the County's part contained therein do not and will not conflict with or constitute a breach of or default under the law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust, bond, note, resolution, agreement or other instrument to which the County is a party or by which the County or, to its knowledge, any of its properties are bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the County which materially

adversely affects the security for the Notes under the terms of any such law, administrative regulation, judgment, decree, statute, indenture, mortgage, deed of trust bond, note, resolution, agreement or other instrument, except as provided in the County Resolution.

(d) all consents, approvals and authorizations of governmental or regulatory authorities or by or on behalf of any creditors or any other third party for the valid execution and delivery of the Notes and this Contract of Purchase, and the performance of the County's obligations contained herein and therein, have been obtained and are in full force and effect;

(e) other than as set forth in the Official Statement, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, governmental agency, public board or body, which has been formally served on the County or, to the knowledge of the County, pending or threatened against the County seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes or the pledge or application of the Notes pursuant to the County Resolution, to an extent which would have a materially adverse effect on the security for the Notes or in any way contesting or affecting the validity of any proceedings of the County taken concerning the issuance or sale of the Notes, the County Resolution and this Contract of Purchase or any other agreement or instrument to which the County is a party or by which the County or any of its properties are bound or the federal tax exempt status of interest on the Notes or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, as amended or supplemented, or the existence or powers of the County relating to the issuance of the Notes, the adoption of the County Resolution or the execution and delivery of this Contract of Purchase;

(f) all representations and warranties set forth in the County Resolution are true and correct on the date hereof and are made for the benefit of the Underwriter as if set forth herein;

(g) a copy of the County Resolution has been delivered to the Underwriter, and the County Resolution will not be amended or repealed without the consent of the Underwriter, which consent will not be unreasonably withheld;

(h) the County has not issued and will not issue any obligation or obligations, other than the Notes, to finance the working capital deficit of the District for which the Notes are being issued;

(i) the terms and provisions of this Contract of Purchase comply in all material respects with the requirements of the County Resolution, and on the Closing Date, the County Resolution will be in full force and effect and will not have been supplemented or amended, and this Contract of Purchase constitutes, and the County Resolution, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute, the valid and binding obligations of the County, enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and to equitable principles when equitable remedies are sought;

(j) the County is not in violation or breach of or default under any applicable law or administrative rule or regulation of the United States or any state thereof having jurisdiction over the County or its properties, or of any department, division, agency or instrumentality of any state thereof, or any applicable court judgment or administrative decree or order, or any lease, note, resolution, indenture, contract, agreement or other instrument to which the County is a party or is otherwise (to its knowledge) subject or bound, or to which any of its property is otherwise subject, which in any way materially affects the issuance of the Notes or the validity thereof, this Contract of Purchase or the County Resolution, or materially adversely affects the ability of the County to perform any of its obligations under any thereof;

(k) any certificate signed by an authorized officer of the County and delivered to the Underwriter shall be deemed a representation and warranty by the County in connection with this Contract of Purchase to the Underwriter as to the statements made therein for the purposes for which such statements are made;

(l) the County will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, as the Underwriter may reasonably request in order to qualify the Notes for offer and sale under the Blue Sky or securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may request; provided, however, that the County will not be required to consent to service of process in any such jurisdiction or to qualify as a foreign corporation in any such jurisdiction;

(m) the County Resolution creates a valid pledge of, lien on, and security interest in, the Notes and the other funds and assets purported to be pledged under such County Resolution, prior in right to any other pledge, lien or security interest in the Notes or such other funds and assets. All of the Notes shall be general obligations of the District, and, to the extent not paid from revenues pledged thereto, they shall be paid from any other moneys of the District lawfully available therefor, and are not payable from County moneys;

(n) the County shall cause the Notes, duly executed and authenticated, together with the other documents hereinafter mentioned, to be delivered to the Underwriter at 8:00 a.m., California time, on the Closing Date or at such other time or date as may be mutually agreeable to the County, the District and the Underwriter, at the Newport Beach office of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), or such other place as the County, the District and the Underwriter shall mutually agree; and

(o) at the time of acceptance hereof by the District, and at the Closing Date, the information in the Official Statement under the caption "COUNTY INVESTMENT POOL" and in Appendix F thereto is and will be true, correct and complete in all material respects and does not and will not omit to state any material fact necessary to make the statements therein not misleading in any material respect.

6. The Underwriter has entered into this Contract of Purchase in reliance upon the representations, warranties and covenants of the County and the District contained in the

Resolutions and to be contained in the documents and instruments to be delivered at the Closing (hereinafter referred to collectively as the "Delivery Certificates") and upon the performance by the District and the County of their respective obligations hereunder and under the Resolutions (collectively, the "Documents"), both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligation under this Contract of Purchase to purchase, to accept delivery of and to pay for the Notes shall be subject to the performance by the County and the District of their respective obligations to be performed hereunder and under the Documents to which they are a party at or prior to the Closing and shall also be subject to the following conditions, including the delivery by each of the District and the County of such documents as are contemplated hereby in form and substance satisfactory to Bond Counsel and to the following additional conditions:

(a) The representations and warranties of the County and the District contained herein and in their respective Delivery Certificates shall be true, complete and correct in all material respects as of the date thereof, and the representations and warranties of the County and the District contained in their respective resolution shall be true, complete and correct in all material respects on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing. The County and the District shall inform the Underwriter prior to the Closing if it has actual knowledge that any of the representations and warranties contained herein or in their respective Delivery Certificate, or resolution has become false or misleading prior to the Closing.

(b) At the time of the Closing, all official action of the County and the District relating to the Resolutions shall be in full force and effect and shall not have been revoked, amended, modified or supplemented.

(c) The Underwriter shall have the right to terminate the Underwriter's obligation under this Contract of Purchase to purchase, to accept delivery of and to pay for the Notes by notifying the District and the County of its election to do so if, after the execution hereof and prior to the Closing: (i) the offering, sale and delivery of the Notes or the market price thereof, in the reasonable opinion of the Underwriter, has been or will be materially and adversely affected by an amendment or proposed amendment to the Constitution of the United States or the State or by any federal or State legislation or the promulgation or proposed promulgation of any rule or regulation thereunder or by any decision of any federal, State, or local court or by any ruling or regulation (final, temporary or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority, affecting (1) the federal income tax status of the District, its property or income or its obligations (including the Notes) or (2) the federal income tax status of the interest on the Notes or the validity of the Notes or any of the Documents; or (ii) there shall have occurred any outbreak of hostilities or escalation of hostilities or change in financial markets or other national or international calamity or crisis, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Official Statement; or (iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States or authorities of the States of New York or California; or (iv) there shall have occurred any adverse change or any development involving a prospective change in the condition, financial or otherwise, of the District, which, in the reasonable opinion



of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Official Statement; or (v) there shall have occurred a default under any federal bankruptcy laws by or against any state of the United States or any local agency located in the State or any local agency located in the United States having a population of over 500,000, the effect of which, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Official Statement; or (vi) legislation shall be enacted, or a decision of a court of competent jurisdiction shall be rendered or any action shall be taken by or on behalf of, the Securities and Exchange Commission, the California Department of Corporations or any other federal or state governmental agency having jurisdiction in the subject matter which, in the opinion the Underwriter, has the effect of requiring registration or qualification of the issuance, offering or sale of the Notes, or of obligations of the general character of the Notes as contemplated hereby, under the Securities Act of 1933, as amended, or the Resolutions under the Trust Indenture Act of 1939, as amended; or (vii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Notes or obligations of the general character of the Notes, any material restrictions not now in force or being enforced, or increase materially those now in force, with respect to extension of credit by, or the charges to the net capital requirements of, the Underwriter.

(d) Any event shall have occurred or shall exist which either (i) makes untrue or incorrect in any material respect any statement or information contained in or appended to the Official Statement, or (ii) is not reflected in the Official Statement or the Appendices thereto and should be reflected therein in order to make the statements and information contained therein not misleading in any material respect (for the purposes of this paragraph the Preliminary Official Statement shall be deemed to be the Official Statement until such time as a final Official Statement is printed and delivered to the Underwriter).

(e) The District and the County shall fail to deliver the Notes to the Underwriter as provided herein.

(f) At or prior to the Closing, the Underwriter shall have received the following documents:

- (1) The Official Statement.
- (2) A certified copy of the County Resolution.
- (3) A certified copy of the District Resolution.

(4) The unqualified approving opinion, dated the Closing Date and addressed to the District, of Bond Counsel in the form attached to the Official Statement as Appendix B, together with a letter to the Underwriter stating that the Underwriter is entitled to rely on such approving opinion.

(5) A supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel in form and substance satisfactory to the Underwriter, to the effect that:

(i) the statements contained in the Official Statement dated \_\_\_\_\_, 2010 (the "Official Statement") under the captions "INTRODUCTION," "THE NOTES," "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES," "TAX MATTERS" and "APPENDIX B – FORM OF OPINION OF BOND COUNSEL" insofar as such statements purport to summarize certain provisions of the Notes, the Resolutions and Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Notes are accurate in all material respects (excluding therefrom financial statements and statistical data as to which no opinion need be expressed); and

(ii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(6) Disclosure Counsel Letter. A letter from Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, addressed to the Underwriter to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District and others, and their examination of certain documents, as a matter of fact but not opinion, nothing has come to their attention which has led them to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data, assessed valuations, any forecasts, any assumptions or any expressions of opinion contained in the Official Statement, or as to any information related to DTC or CUSIP numbers therein);

(7) A certificate, each from the County and the District, dated the Closing Date and signed by an authorized officer of the County or the District, respectively, to the effect that, to their best knowledge, belief and information:

(i) the representations and warranties of the County or District contained in this Contract of Purchase are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing;

(ii) none of the proceedings or authority for the execution and delivery of the Note by the County or the District has been repealed modified, amended, revoked or rescinded; and

(iii) no event affecting the County or the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect.

(8) At the Closing, a certificate of the District executed by an authorized officer of the District, in form and substance acceptable to the Underwriter and Bond Counsel, dated as of the Closing Date, setting forth facts, estimates and

circumstances concerning the use or application of the proceeds of the Notes, and stating in effect that on the basis of such facts, estimates and circumstances in existence on the date of the Closing, it is not expected that the proceeds of such Notes will be used in a manner that would cause such Notes to be "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code of 1986 (the "Code") and the regulations promulgated thereunder or under the statutory predecessor of the Code.

(9) At or prior to the Closing, evidence shall be delivered that the Notes shall have been rated "\_\_\_\_" by Standard & Poor's, and that such rating is in full force and effect as of the Closing Date.

(10) Evidence that the federal tax information Form 8038-G has been prepared for each District;

(11) An opinion, dated the Closing Date, of counsel to the District in substantially the form attached hereto as Exhibit A, and

(12) An opinion, dated the Closing Date, of counsel to the County in substantially the form attached hereto as Exhibit B, and

(13) Such legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence (i) compliance by the County or the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the County or the District herein contained or as contained in the Delivery Certificate, (iii) the due performance or satisfaction by the County or the District at or prior to such time of all agreements then required to be performed and all conditions then required to be satisfied by the County or the District, and (iv) that the information concerning the County or the District in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Contract of Purchase shall be deemed to be in compliance with the provisions hereof if, and only if, they are in form and substance satisfactory to the Underwriter.

If the County or the District shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Notes contained in this Contract of Purchase, or if the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Notes shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriter, the County nor the District shall be under further obligation hereunder, and except that the respective obligations of the County, the District and the Underwriter set forth in paragraph 9 hereof shall continue in full force and effect.

7. (a) Upon the delivery of the Notes to and payment thereof from the Underwriter, the District shall pay solely from the proceeds of the Notes, all expenses incident to the issuance of the Notes, including, but not limited to, (i) the cost of printing and preparation for printing of

the preliminary and final Official Statements, as well as the postage or delivery costs incurred in connection with distribution of the preliminary and final Official Statements in connection with the offering of the Notes; (ii) the cost of preparing the definitive Notes; (iii) the fees and disbursements of Bond Counsel, and the rating agencies and any other experts or consultants and the fees and expenses of any counsel retained by any such person or firm; and (iv) Blue Sky registration fees, if any. In the event the Underwriter does not purchase the Notes, the District shall be under no obligation to pay any expenses incident to the issuance of the Notes.

(b) The Underwriter shall pay: (i) all advertising expenses in connection with the offering of the Notes; (ii) all other expenses incurred by them in connection with the offering and distribution of the Notes; and (iii) the fees of CUSIP and CDIAC in connection with the Notes.

8. Any notice or other communication to be given to any of the participating District under this Contract of Purchase may be given by delivering the same in writing if to the County, to the County Treasurer, County of Riverside, 4080 Lemon Street, 4<sup>th</sup> Floor, Riverside, California 92502; if to the District, to Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860; and any notice or other communication to be given to the Underwriter under this Contract of Purchase may be given by delivering the same in writing to Piper Jaffray & Co., 2321 Rosecrans Avenue, Suite 3200, El Segundo, California 90245, Attention: Municipal Finance.

9. This Contract of Purchase is made solely for the benefit of the County, the District and the Underwriter, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the County and the District contained in this Contract of Purchase and the Resolutions shall remain operative and in full force and effect regardless of (i) any investigations made by or on behalf of the Underwriter, (ii) delivery of any payment for the Notes pursuant to this Contract of Purchase and (iii) any termination of this Contract of Purchase.

10. This Contract of Purchase shall become effective upon the execution of the acceptance hereof by a duly authorized signatory of the County and by a duly authorized signatory of the District, which acceptance hereof shall be indicated on the signature page hereof, and shall be valid and enforceable as of the time of such acceptance. This Contract of Purchase may be executed by facsimile transmission and in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

11. This Contract of Purchase shall be governed by and construed in accordance with the laws of the State of California.

Very truly yours,

PIPER JAFFRAY & CO.

By: \_\_\_\_\_  
Authorized Representative

Accepted this \_\_\_\_ day of \_\_\_\_\_, 2010

CORONA-NORCO UNIFIED SCHOOL  
DISTRICT

By: \_\_\_\_\_  
Authorized Representative

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Authorized Representative

Approved as to form:  
COUNTY COUNSEL

By: \_\_\_\_\_  
Deputy County Counsel

**EXHIBIT A**

**[FORM OF OPINION OF COUNSEL TO THE DISTRICT]**

**§ \_\_\_\_\_  
CORONA-NORCO UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
2010-11 TAX AND REVENUE ANTICIPATION NOTES**

**(Introduction)**

1. The District is a duly organized, validly existing and operating school district pursuant to the laws of the State of California.

2. The District Resolution was duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.

3. The District resolution and the Note Purchase Contract have been duly executed and remain in effect and valid, binding and enforceable against the District except as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors; rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

4. To the best of our knowledge, there is no litigation against the District of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or any of the proceedings taken with respect to the issuance and sale of the Notes, the application of moneys to the payment of the Notes or in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes or the title of officials of the District who have acted with respect to the proceedings for the issuance and sale of the Notes to their respective offices.

5. The issuance of the Notes does not and will not conflict with or constitute on the part of the District a material breach of, or a default under any instrument, to which the District is subject or by which it is bound.

**EXHIBIT B**

**[FORM OF OPINION OF COUNTY COUNSEL]**

**§ \_\_\_\_\_  
CORONA-NORCO UNIFIED SCHOOL DISTRICT  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
2010-11 TAX AND REVENUE ANTICIPATION NOTES**

**(Introduction)**

1. The County is a political subdivision duly organized and validly existing under the laws of the State of California.
2. The County Resolution was duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption.
3. The County Resolution and the Note Purchase Contract have been duly executed and remain in effect and are valid, binding and enforceable against the County except as limited by bankruptcy, moratorium, reorganization, insolvency or other laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.
4. To the best of our knowledge, there is no litigation against the County of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or any of the proceedings taken with respect to the issuance and sale of the Notes, the application of moneys to the payment of the Notes or in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes or the title of officials of the County who have acted with respect to the proceedings for the issuance and sale of the Notes to their respective offices.
5. The issuance of the Notes does not and will not conflict with or constitute on the part of the County a material breach of, or a default under any instrument, to which the County is subject or by which it is bound.

**2010-11 RESOLUTION NO. 41**

**RESOLUTION OF THE BOARD OF EDUCATION OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2010-11 TAX AND REVENUE ANTICIPATION NOTES FOR THE DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO ISSUE THE NOTES**

WHEREAS, the Board of Education ("the District Board") desires to authorize the issuance of its 2010-11 Tax and Revenue Anticipation Notes (the "Notes") by requesting the Board of Supervisors (the "County Board") of Riverside County (the "County") to issue the Notes on behalf of the Corona-Norco Unified School District ( the "District"); and

WHEREAS, pursuant to Sections 53850 *et seq.* of the Government Code of the State of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing" that provides for temporary borrowing by certain local agencies on or after the first day of any fiscal year (being July 1), the District Board may borrow money by issuing notes for any purpose for which the District is authorized to use and expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the District; and

WHEREAS, Section 53853 of the Act provides that such Notes must be issued in the name of the District by the County Board of Supervisors, the County Superintendent of Schools of which has jurisdiction over the District, as soon as possible following the receipt of a resolution of the governing board of the District requesting the borrowing; and

WHEREAS, the County Superintendent of the County of Riverside has jurisdiction over the District, and the District Board, being the governing board of the District, hereby requests a borrowing of not to exceed Fifty Million Dollars (\$50,000,000) at an interest rate not to exceed six percent (6%) per annum, through the issuance by the County Board of the Notes in the name of the District to be sold by negotiated sale; and

WHEREAS, in accordance with the Act, such Notes shall be payable no later than fifteen months after their date of delivery, and such Notes shall be payable only from revenue received or accrued during the fiscal year 2010-11; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes, income, revenue, cash receipts or other moneys, including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose); and this Resolution specifies that certain unrestricted revenues which will be received or accrued by the District for the General Fund of the District during fiscal year 2010-11 are pledged for the payment of the Notes; and

WHEREAS, the Notes shall be a general obligation of the District, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for the payment thereof shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act; and

WHEREAS, the Notes shall be in denominations of \$5,000, or integral multiples thereof, as permitted by Section 53854 of the Act; shall be issued on a date to be designated and shall be in the



form and executed in the manner prescribed in this Resolution, all as permitted and required by Section 53853 of the Act; and

WHEREAS, the District Board finds and determines that, as required by Section 53858 of the Act, the \$50,000,000 maximum principal amount of Notes authorized to be issued in the name of the District by the County Board in fiscal year 2010-11, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District which will be available for the payment of the Notes and interest thereon; and

WHEREAS, the Notes will not be issued in an amount greater than the sum of the maximum anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue sources for the period for which such taxes or other revenues are anticipated and during which such Notes are outstanding plus a permitted working capital reserve, all as provided in Section 1.103-14(c) of the Income Tax Regulations of the United States Treasury; and

NOW, THEREFORE, the Board of Education of the Corona-Norco Unified School District hereby resolves as follows:

**Section 1.** Authorization of Issuance of Notes; Terms Thereof; Paying Agent. The District Board hereby requests the County Board to issue, in the name of the District, an amount not to exceed \$50,000,000 principal amount of Notes under the Act, designated "Corona-Norco Unified School District, Riverside County, State of California, 2010-11 Tax and Revenue Anticipation Notes" (the "Notes"); to be numbered from 1 consecutively upward in order of issuance; to be in the denominations of \$5,000, or integral multiples thereof; to be dated the date of delivery thereof; to mature (without option of prior redemption) on the date set forth in the official statement pertaining to the Notes (the "Official Statement"), but in no event later than fifteen months after the date of issuance, or if such date is not a day on which banks in New York or California are open for business, on the last day such banks are open for business prior to such date; and, unless otherwise provided for in the Notes or the Official Statement, to bear interest, payable on or before the twelve month anniversary following the date of issuance and at maturity and computed on a 30-day month/360-day year basis at the rate or rates determined at the time of sale thereof, but not in excess of six percent (6%) per annum. Both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the office of the Treasurer-Tax Collector of Riverside County (the "Treasurer-Tax Collector") or, if so designated by the County Board, at the office of any banking institution selected to be the paying agent for the Notes (in such capacity, the "Paying Agent"). No interest shall be payable on any Note for any period after maturity during which the registered owner thereof fails to properly present such Note for payment. The Treasurer-Tax Collector of Riverside County is authorized to designate any banking institution to perform the services of Paying Agent for the Notes. This Board hereby approves the payment of the reasonable fees and expenses of the Paying Agent as they shall become due and payable.

**Section 2.** Form of Notes. The Notes shall be issued in registered form and shall be substantially in the form set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures. The Notes shall be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in the full principal amount of the Notes. The Depository Trust Company,

New York, New York is hereby appointed depository for the Notes. Registered ownership may not thereafter be transferred except as set forth in Section 4 hereof. There shall be attached to each Note, the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, respecting the validity of said Notes.

**Section 3. Deposit of Note Proceeds; Tax Covenants.**

(A) The moneys received by the District from the issuance of the Notes shall be deposited in the General Fund of the District. The District hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"); and, to that end, so long as any of the Notes are outstanding, the District, and all of its officers having custody or control of such proceeds, shall comply with all requirements of Section 148 of the Code, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the Federal government, and of the Income Tax Regulations of the United States Treasury promulgated thereunder or under any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage bonds." The District further covenants that it shall at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, to assure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the recipients thereof.

(B) Notwithstanding any other provision of this Resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained in this Section, no one other than the owners or former owners of the Notes or the Paying Agent shall be entitled to exercise any right or remedy under this Resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

(C) The covenants contained in this Section 3 shall survive the payment of the Notes.

(D) Notwithstanding any provision of this Section, if the District shall provide to the Paying Agent an opinion of nationally recognized bond counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the Paying Agent and the District may conclusively rely on such opinion in complying with the requirements of this Section 3, and the covenants hereunder shall be deemed to be modified to that extent.

**Section 4. Payment of Notes.**

(A) Source of Payment. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts, and other money of the District as provided in Section 53856 of the Act, which are received or accrued during fiscal year 2010-11 for the General Fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues").

The Notes shall be a general obligation of the District, and, to the extent the Notes and the interest thereon are not paid from the Unrestricted Revenues transferred to the Repayment Fund (as

defined in Section 4(E) below), the Notes shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as provided in Section 4(C) below.

(B) Pledged Revenues. As security for the payment of the principal of and interest on the Notes, the District hereby pledges to transfer to the Repayment Fund (i) the first Unrestricted Revenues received by the District in the month ending July 31, 2011 until an amount equal to seventy percent (70%) of the aggregate principal amount of the Notes is on deposit therein; and (ii) the first Unrestricted Revenues received by the District in the month ending August 31, 2011 until an amount equal to the aggregate principal amount of and interest due on the Notes through maturity is on deposit therein; provided, however, that the foregoing dates and deposit amounts may be changed to other dates and amounts as provided for in the Notes upon their delivery and in the Official Statement and such dates shall be the operative dates for this Section 4(B) as if set forth in this paragraph and shall be binding on the District (such pledged amounts being hereinafter called the "Pledged Revenues").

The principal of the Notes and the interest thereon shall be a first lien and charge against, and shall be payable from, the first moneys received by the District from such Pledged Revenues, as provided in Section 53856 of the Act and upon amounts in the Repayment Fund.

(C) Other Pledged Moneys. In the event that there are insufficient Unrestricted Revenues received by the District to permit the deposit into the Repayment Fund of the full amount of Pledged Revenues to be deposited into the Repayment Fund from Unrestricted Revenues in a month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for repayment of the Notes and the interest thereon, all as provided in Sections 53856 and 53857 of the Act (the "Other Moneys"). Such Other Moneys and any Unrestricted Revenues shall be transferred to the Repayment Fund on a daily basis, as such amounts are received by the District, until the required deposits to the Repayment Fund for such month and any prior month have been made.

(D) Covenant Regarding Additional Short-term Borrowing. The District hereby covenants and warrants that, unless otherwise agreed to by the Underwriter in the Contract of Purchase (each as defined below), it will not request the Treasurer-Tax Collector to make temporary transfers of funds in the custody of the Treasurer-Tax Collector to meet any obligations of the District during the 2010-11 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority until all of the required deposits to the Repayment Fund hereunder shall have been made.

(E) Deposit of Pledged Revenues and Other Moneys in Repayment Fund. The Pledged Revenues transferred in accordance with Section 4(B) above and any Other Moneys transferred in accordance with Section 4(C) above shall be held by the Paying Agent or the Treasurer-Tax Collector in a special fund designated as the "Corona-Norco Unified School District, Riverside County, State of California, 2010-11 Tax and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this Resolution. Any moneys deposited into the Repayment Fund are pledged to secure and shall be for the exclusive benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created, and the District shall have no right to transfer moneys out of the Repayment Fund.

(F) Disbursement and Investment of Moneys in Repayment Fund. From the date this Resolution takes effect, all Pledged Revenues and Other Moneys shall, when received, be accounted for in the Repayment Fund. After such date as the amount of Pledged Revenues and Other Moneys accounted for in the Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the District upon the request of the District. On the maturity date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes.

Moneys accounted for in the Repayment Fund, to the greatest extent possible, shall be invested at the request of the District, by the Treasurer-Tax Collector, or, if held by the Paying Agent, then by the Paying Agent, only in investments permitted by California law, as it is now in effect and as it may be amended, modified or supplemented from time to time, and which are described in Section 10 of this Resolution; provided that no such investments shall have a maturity date later than the maturity date of the Notes.

**Section 5.** Execution of Notes. The District hereby requests the Chairman of the County Board to sign the Notes manually or by facsimile signature, the Treasurer-Tax Collector to sign the Notes manually or by facsimile signature and the Clerk of the County Board (the "Clerk") to countersign the Notes manually or by facsimile signature, provided that at least one of the foregoing or the Paying Agent shall sign manually, and for the Clerk to affix the seal of the County thereto by facsimile impression thereof. Each of the foregoing officers is authorized and requested to cause the blank spaces in the form of the Notes attached hereto as Exhibit A to be filled in with the appropriate information and for such other changes to be made to the Notes so as to conform them to the terms upon which they are sold.

**Section 6.** Sale of the Notes. The Notes are authorized to be sold upon the terms provided in the County Resolution; provided that the aggregate principal amount of the Notes does not exceed Fifty Million Dollars (\$50,000,000) and the interest rate does not exceed six percent (6.0%) per annum.

**Section 7.** Appointment of Underwriter and Bond Counsel; Authorization of Preliminary Official Statement and Official Statement. Piper Jaffray & Co. (the "Underwriter") is hereby designated the Underwriter in connection with the issuance of the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), is hereby designated as bond counsel and disclosure counsel to the District in connection with the issuance of the Notes. The form of Agreement for Legal Services between the District and Bond Counsel, substantially in the form presented to this meeting and on file with the Clerk of the District Board, is hereby approved. Any one of the Superintendent or the Assistant Superintendent, Business Services or a designated deputy thereof is hereby authorized to execute and deliver the Agreement for Legal Services, and the Superintendent or the Assistant Superintendent, Business Services of the District are each hereby authorized and requested to acknowledge such Agreement for Legal Services, if necessary, such approval to be conclusively evidenced by his or her execution and delivery thereof. The form of the Preliminary Official Statement, substantially in the form presented to this meeting and on file with the Clerk of the District Board, is hereby approved, and such Preliminary Official Statement, together with such changes thereto as are approved by the Superintendent or the Assistant Superintendent, Business Services, or their designees, is authorized to be used by the Underwriter in connection with the offering and sale of the Notes. The Superintendent, the Assistant Superintendent, Business Services, or the written designee of either, each acting alone, are hereby authorized and requested to

execute and deliver a final Official Statement; such execution shall conclusively evidence the District's approval of such Official Statement. The Superintendent, the Assistant Superintendent, Business Services, or the written designee of either, each acting alone, are also authorized to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934 prior to its distribution.

**Section 8.** Approval of Contract of Purchase. The Notes shall be sold to the Underwriter at negotiated sale. The form of Contract of Purchase for the Notes, substantially in the form presented to this meeting and on file with the Clerk of the District Board, is hereby approved. Any one of the Superintendent or the Assistant Superintendent, Business Services, or the written designee of either, each acting alone, is hereby authorized to execute and deliver the Contract of Purchase, and the Superintendent or the Assistant Superintendent, Business Services of the District are each hereby authorized and requested to acknowledge such Contract of Purchase, if necessary, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed six percent (6%) per annum and that the Underwriter's discount shall not exceed one quarter of one percent (0.25%) of the par amount of the Notes. Any one of the Superintendent or the Assistant Superintendent, Business Services or the written designee of either, each acting alone, is hereby further authorized to determine the maximum principal amount of Notes to be specified in the Contract of Purchase, up to \$50,000,000, and to enter into and execute the Contract of Purchase with the Underwriter, if the conditions set forth in this Resolution are satisfied.

**Section 9.** Delivery of Notes. The proper officers of the County Board are hereby requested to deliver the Notes to the purchaser. All actions heretofore taken by the officers and agents of the District Board, including the Superintendent or the Assistant Superintendent, Business Services or their designees, with respect to the Notes are hereby approved, confirmed and ratified, and the officers of the District Board, including the Superintendent and Assistant Superintendent, Business Services or their designees, are hereby authorized and directed to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and any resolution hereafter adopted by the County Board.

**Section 10.** Proceeds of Notes Conditionally Pledged; Investment of Note Proceeds. Notwithstanding anything to the contrary contained herein, any unexpended proceeds of the Notes shall be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and Other Moneys are not deposited into the Repayment Fund as required by Sections 4(B) and 4(C) above. In addition to investments in the Treasurer-Tax Collector's Investment Pool, pursuant to Section 53601(1) of the Government Code of the State of California, the following are hereby designated as additional authorized investments for the proceeds of the Notes and the Repayment Fund: (i) a guaranteed investment contract with a financial institution or insurance company which has, or its guarantor has, at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Ratings Services and Moody's Investors Service (in which case, the District Board hereby authorizes the Superintendent or the Assistant Superintendent, Business Services of the District to execute a certificate of indemnity holding the Treasurer-Tax Collector and the County, its officers, employees and servants harmless and indemnifying them from any costs, liabilities, claims or damages, including but not limited to attorneys' fees, caused by or arising from the investment of the funds in such an instrument, or, alternatively, a written agreement to pay for any costs, liabilities,

claims or damages, including but not limited to attorneys' fees, to the Treasurer-Tax Collector, the County, its officers, employees and servants, caused by or arising from the investment of the funds in such an instrument); or (ii) the Local Agency Investment Fund (LAIF) administered by the State of California.

**Section 11. Continuing Disclosure.** The District Board hereby covenants and agrees that it will comply with and carry out, and authorizes and directs the Superintendent, the Assistant Superintendent, Business Services or the written designee of either, each acting alone, to comply with and carry out, all of the provisions of that certain Continuing Disclosure Certificate to be dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof (the "Continuing Disclosure Certificate"). Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default under this Resolution; however, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate, substantially in the form presented to this meeting and on file with the Clerk of the Board, is hereby approved. The Superintendent, the Assistant Superintendent, Business Services, or the written designee of either, each acting alone, is hereby authorized and directed to execute and deliver to the purchaser of the Notes the Continuing Disclosure Certificate, with such changes therein as any such official may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 12. Transmittal of Resolution.** The Superintendent, or a designee, is hereby directed to send a certified copy of this Resolution to the County Board, the Treasurer-Tax Collector and the County Superintendent of Schools.

**Section 13. Further Actions Authorized.** The District Board hereby covenants that the District, and its appropriate officials, will request the County Board and the Treasurer-Tax Collector to take all proceedings necessary to be taken by them for the levy, collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged under this Resolution in accordance with law in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and to manage the Note proceeds and Repayment Fund, including, without limitation, the execution and delivery of agreements with paying agents, security depositories and investment agreement providers, and for otherwise carrying out the provisions of this Resolution.

PASSED AND ADOPTED by the Board of Education of the Corona-Norco Unified School District this 20<sup>th</sup> day of July, 2010, by the following vote:

AYES: 5

NOES: 0

ABSENT: 0

ABSTAIN: 0

By: Michael A. Skipworth  
Michell A. Skipworth  
President, Board of Education  
Corona-Norco Unified School District

ATTEST:

By: Cathy L. Sciortino  
Cathy L. Sciortino  
Clerk of the Board of Education  
Corona-Norco Unified School District

CLERK'S CERTIFICATE

I, Cathy L. Sciortino, Clerk of the Board of Education of the Corona-Norco Unified School District, Riverside County, California, hereby certify as follows:

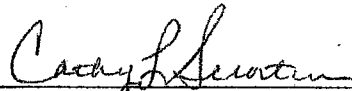
The following is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly and legally held at the regular meeting place thereof on July 20, 2010, of which meeting all of the members of the Board of Education of said District had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in the Superintendent's office and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: July 20, 2010

By: \_\_\_\_\_



Cathy L. Sciortino  
Clerk of the Board of Education  
Corona-Norco Unified School District



EXHIBIT A  
FORM OF NOTE

REGISTERED  
No. 1

REGISTERED  
\$ \_\_\_\_\_

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CORONA-NORCO UNIFIED SCHOOL DISTRICT  
RIVERSIDE COUNTY  
STATE OF CALIFORNIA  
2010-11 TAX AND REVENUE ANTICIPATION NOTE

Rate of Interest: \_\_\_\_\_%      Note Date: \_\_\_\_\_, 2010      Maturity Date: \_\_\_\_\_, 2010      CUSIP: \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

FOR VALUE RECEIVED, the Corona-Norco Unified School District (the "District"), Riverside County, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assignee, at the office of U.S. Bank National Association (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date set forth above, together with interest thereon at the Rate of Interest per annum set forth above, in like lawful money of the United States of America from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) all of like date, tenor and effect, made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County of Riverside duly passed and adopted on \_\_\_\_\_, 2010 and a Resolution of the Board of Education of the District duly passed and adopted on July 20, 2010 under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in

regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received or accrued by the District for the General Fund of the District during fiscal year 2010-11. As security for the payment of the principal of and interest on the Notes, the District hereby pledges to transfer to the Repayment Fund (i) the first Unrestricted Revenues received by the District in the month ending July 31, 2011 until an amount equal to seventy percent (70%) of the aggregate principal amount of the Notes is on deposit therein; and (ii) the first Unrestricted Revenues received by the District in the month ending August 31, 2011 until an amount equal to the aggregate principal amount of and interest due on the Notes through maturity is on deposit therein (such pledged amounts being hereinafter called the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent in Riverside, California but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note except that this Note shall not be transferred or exchanged later than the 15<sup>th</sup> day prior to the maturity date hereof. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

IN WITNESS WHEREOF, the County of Riverside has caused this Corona-Norco Unified School District, Riverside County, State of California, 2010-11 Tax and Revenue Anticipation Note to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors by facsimile signature and countersigned by the Treasurer-Tax Collector by manual signature and has caused a facsimile of its official seal to be printed hereon this \_\_\_\_ day of \_\_\_\_\_, 2010.

COUNTY OF RIVERSIDE

By: \_\_\_\_\_ [Facsimile Signature]  
Chairman of the Board of Supervisors

By: \_\_\_\_\_ [Manual Signature]  
Treasurer-Tax Collector

(SEAL)

Countersigned

By: \_\_\_\_\_ [Signature]  
Clerk of the Board of Supervisors

**CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds described in the Resolutions referred to herein which has been authenticated and registered on \_\_\_\_\_, 2010.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: \_\_\_\_\_  
Its: Authorized Officer

LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes.

[Facsimile Signature]

\_\_\_\_\_  
Clerk of the Board of Supervisors

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the \_\_\_\_\_ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed by:

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

\_\_\_\_\_  
NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2010

**NEW ISSUE FULL BOOK-ENTRY**

**RATING**  
**Standard & Poor's: "\_\_\_"**  
**(See "Rating" herein)**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel notes that, with respect to corporations, interest on the Notes is not included as an adjustment in the calculation of alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Notes.*

\$ \_\_\_\_\_ \*  
**CORONA-NORCO UNIFIED SCHOOL DISTRICT**  
**County of Riverside**  
**State of California**  
**2010-11 Tax and Revenue Anticipation Notes**

**Dated: Date of Delivery**

**Due: \_\_\_\_\_ 1, 2011**

The Corona-Norco Unified School District 2010-11 Tax and Revenue Anticipation Notes are being issued to finance the cash flow requirements of the Corona-Norco Unified School District (the "District") for the fiscal year ending June 30, 2011. The Notes will be in denominations of \$5,000 or any integral multiple thereof and will be dated the date of their delivery. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District upon maturity at the office of the Treasurer-Tax Collector of the County or other such paying agent as the County or the District may appoint. The Notes will be issued in the aggregate principal amount of \$ \_\_\_\_\_ \*. **The Notes will not be subject to redemption prior to maturity.**

The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. **Purchasers will not receive Notes representing their ownership interest in the Notes purchased.** Principal and interest on the Notes will be payable when due through the facilities of DTC, as described in Appendix E—"BOOK-ENTRY ONLY SYSTEM."

Interest Rate  
\_\_\_\_\_ %

Priced to Yield  
\_\_\_\_\_ %

As security for repayment of the Notes, the District has pledged to transfer to the Repayment Fund (defined herein) the first Unrestricted Revenues (defined herein) received by the District (i) during the month ending \_\_\_\_\_, **July 31**, 2011, until an amount equal to ~~75~~**70**% of the aggregate principal amount of the Notes is on deposit therein, and (ii) during the month ending \_\_\_\_\_, **August 31**, 2011, until an amount equal to the aggregate principal amount of and interest due on the Notes at maturity is on deposit therein. See "SECURITY AND SOURCES OF PAYMENT OF THE NOTES."

To the extent more fully described herein, the Notes are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in California.

*The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. Certain other legal matters will be passed upon for the District by District Counsel, Parker & Covert, Tustin, California. The Notes, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about \_\_\_\_\_, 2010.*

**Piper Jaffray & Co.**

Dated: \_\_\_\_\_, 2010

\* Preliminary, subject to change.

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

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

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The 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 of completeness of such information."

The information and expression of opinion 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 or any other parties described herein since the date hereof. This Official Statement is being submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change.

All information material to the making of an informed investment decision with respect to the Notes is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

**WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES 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 NOTES DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

Piper Jaffray & Co. Since 1895. Member SIPC and FINRA.

**DISTRICT OFFICIALS  
CORONA-NORCO UNIFIED SCHOOL DISTRICT  
RIVERSIDE COUNTY, CALIFORNIA**

**BOARD OF EDUCATION**

~~Bill Hedrick~~ **Michell A. Skipworth**, President  
Sharon Martinez, Vice President  
Cathy Sciortino, Clerk  
~~Michell A. Skipworth~~ **Bill Hedrick**, Member  
Jose W. Lalas, Ph.D., Member

**SCHOOL DISTRICT ADMINISTRATORS**

Kent L. Bechler, Ph.D., Superintendent  
Thomas R. Pike, Assistant Superintendent, Executive Services  
Gregory Plutko, Ed.D., Deputy Superintendent, Educational Services  
Michael Lin, Ed.D., Assistant Superintendent, Human Resources  
David Hanson, Ed.D., Assistant Superintendent, Instructional Support  
Ted Rozzi, Assistant Superintendent, Facilities  
Sherry Mata, Assistant Superintendent, Business Services

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**PROFESSIONAL SERVICES**

**Underwriter**

Piper Jaffray & Co.,  
El Segundo, California

**Bond and Disclosure Counsel**

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

**Paying Agent**

U.S. Bank National Association  
Los Angeles, California

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**OFFICIAL STATEMENT**  
\$ \_\_\_\_\_  
**Corona-Norco Unified School District**  
**County of Riverside**  
**State of California**  
**2010-11 Tax and Revenue Anticipation Notes**

**INTRODUCTION**

**General**

This Official Statement provides certain information in connection with the issuance, sale and delivery by the County of Riverside (the "County") in the name and on behalf of the Corona-Norco Unified School District (the "District") of \$ \_\_\_\_\_\* of the District's 2010-11 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and pursuant to resolutions adopted by the Board of Education of the District (the "District Note Resolution") and by the Board of Supervisors of the County (the "County Note Resolution" and together with the District's Note Resolution, the "Resolutions"). Issuance of the Notes will provide funds to meet the District's Fiscal Year 2010-11 General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness, of the District.

Brief descriptions of the Notes, the security and sources of payment for the Notes, the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Assistant Superintendent, Business Services of the District.

**2010-11 SHORT-TERM BORROWING PROGRAM**

The issuance of the Notes is necessitated by District General Fund expenditures occurring in relatively level amounts throughout the year with receipts occurring in uneven amounts, primarily as a result of the uneven pattern of payments from state and federal sources and payments of secured property taxes primarily in January and April. As a result, without the proceeds of the Notes, the District's General Fund cash balance would be negative during parts of Fiscal Year 2010-11. The Notes are intended to satisfy the District's cash flow requirements without the District incurring cash deficits and are an alternative to the District's borrowing from the County Treasury to meet its cash flow needs.

The Notes, in accordance with California law, are general obligations of the District, and to the extent not paid from the portion of the taxes, income, revenue, cash receipts and other moneys received or accrued by the District during Fiscal Year 2010-11 and pledged for the payment thereof, are to be paid, with interest thereon, from any other moneys of the District legally available therefor. The security for the Notes is described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES."

**THE NOTES**

**General Provisions**

The Notes will be dated the date of their delivery and will mature on \_\_\_\_\_ 1, 2011. The Notes will be registered in the name of Cede & Co. ("Cede & Co."), as nominee of the Depository Trust Company,

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\* Preliminary, subject to change.

New York, New York ("DTC"). Interest on the Notes will be computed on a 360-day year and 30-day month basis. The Notes are not subject to redemption prior to maturity. Principal and interest due on the Notes shall be payable upon maturity on \_\_\_\_\_ 1, 2011 through the facilities of DTC as described in Appendix E—"BOOK-ENTRY ONLY SYSTEM."

#### **Authority for Issuance; Additional Notes**

The Notes will be issued pursuant to Article 7.6 Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and pursuant to Resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County.

[The District has provided in the District Resolution that it may issue up to \$ \_\_\_\_\_ of additional short-term notes during Fiscal Year 2010-11.]

#### **Purpose of Issue**

Issuance of the Notes will provide funds to meet the District's Fiscal Year 2010-11 General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District.

#### **Investment of Note Proceeds and Repayment Fund**

Pursuant to the Resolutions, the District is authorized to invest Note proceeds and amounts in the Repayment Fund for the Notes, in the Riverside County Treasury Pool, the Local Agency Investment Fund administered by the State, and, pursuant to Government Code Section 53601(1) in a guaranteed investment contract with a financial institution or insurance company which has, or its guarantor has at the date of execution thereof, one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's, a division of the McGraw-Hill Companies and Moody's Investors Service, Inc. (the "Permitted Investments"). The District currently expects to invest the Note proceeds and the amounts in the Repayment Fund in the Riverside County Treasury Pool. See "COUNTY INVESTMENT POOL" herein.

### **SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES**

#### **Security for the Notes**

The Resolutions authorizing the issuance of the Notes provide that the Notes shall be payable from certain pledged revenues of the District. Pursuant to Section 53856 of the Act and the Resolutions, as security for the payment of the Notes, the District has pledged to transfer to the Repayment Fund for the Notes (i) the first Unrestricted Revenues (defined below) received by the District in the month ending \_\_\_\_\_, July 31, 2011 until an amount equal to ~~75~~70% of the aggregate principal amount of the Notes is on deposit therein, and (ii) the first Unrestricted Revenues received by the District in the month ending on \_\_\_\_\_, August 31, 2011 until an amount equal to the aggregate principal amount of and interest due on the Notes at maturity is on deposit therein (the "Pledged Revenues").

The term "Unrestricted Revenues" is defined by the Resolutions to mean means taxes, income, revenue, cash receipts and other money of the District as provided in Section 53586 of the Government Code of the State of California, which are received or accrued during Fiscal Year 2010-11 for the General Fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District.

In the event that there are insufficient Unrestricted Revenues received by the District to permit the deposit into the Repayment Fund (as hereinafter defined) in a month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes, all as provided in Sections 53856 and 53857 of the Government Code of the State of California (the "Other Moneys"). Such Other Moneys and any Unrestricted Revenues shall be transferred to the Repayment Fund on a daily basis, as such amounts are received by the District, until the required deposits to the Repayment Fund for such month and any prior month have been made. The principal of and interest on the Notes will constitute a first lien and charge against, and will be payable from, the first moneys received by the District from such Pledged Revenues, as provided in Section 53856 of the Government Code of the State of California and upon amounts in the Repayment Fund.

All Pledged Revenues will be deposited into a special fund held by the Treasurer-Tax Collector of the County designated as the "Corona-Norco Unified School District, County of Riverside, State of California, 2010-11 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested in Permitted Investments which mature not later than the maturity date of the Notes. After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the District upon request of the District.

#### **Available Sources of Payment**

The Notes, in accordance with California law, are general obligations of the District, and, to the extent not paid from the Unrestricted Revenues, will be paid with interest thereon from any other moneys of the District legally available therefor. A 1978 change in the Constitution of the State of California substantially limited the District's ability to levy *ad valorem* taxes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES" and "DISTRICT FINANCIAL INFORMATION - *Ad valorem* Property Taxation."

The District will covenant in the Notes to set aside ~~75~~<sup>70</sup>% of the principal due on the Notes from Unrestricted Revenues received in the month ending \_\_\_\_\_, July 31, 2011 and 25% of the principal and all of the interest due on the Notes from Unrestricted Revenue received in the month ending \_\_\_\_\_, August 31, 2011. The District projects that the Unrestricted Revenues available to it in July and August 2011 will consist primarily of State apportionments made to the District for Fiscal Year 2010-11, the payment of which has been deferred by the State to July and August 2011 (the "Deferred Revenues"). The Deferred Revenues are projected to be approximately \$\_\_\_\_\_. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA—State Budget Measures" and "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Projected and Actual Cash Flows."

Although the State, in some cases, treats the Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to elect to treat such Deferred Revenues for budgetary and financial reporting purposes as a receivable in the current fiscal year. The District intends to treat the Deferred Revenues as receivables for Fiscal Year 2010-11. Although not free from doubt, assuming that the District in fact treats the Deferred Revenues as receivables accrued in Fiscal Year 2010-11 for budgetary, financial reporting and all other relevant purposes, the Deferred Revenues should constitute Unrestricted Revenues and be subject to the pledge for the repayment of the Notes.

In connection with the rating of the Notes by Standard & Poor's Rating Service (the "Rating Agency"), Bond Counsel was requested to render an opinion to the Rating Agency as to whether the Deferred Revenues are revenues that may be applied to repay the Notes if they are not received by the District until fiscal year 2010-11. Bond Counsel has delivered its opinion to the Rating Agency which states that it is not aware of any case law that addresses this specific question, and, accordingly, this matter is not free from doubt. However, it is of the opinion that, if the matter were properly briefed and presented to a court of competent

jurisdiction, the court should hold that any of the Deferred Revenues that lawfully could have been applied to repay the Notes if those revenues had been received in fiscal year 2010-11 remain available to repay the Notes even if not received until fiscal year 2010-11. This opinion is subject to the assumptions, qualifications and limitations set forth therein, including assumptions that certain facts exist and that certain circumstances will occur. Bond Counsel can provide no assurance that such facts or circumstances will exist or occur as assumed in the opinion. This opinion is based on an analysis of existing laws and court decisions, and covers certain matters not directly addressed by such authorities.

Bond Counsel's opinion is not binding on a court and does not guarantee the outcome of the matter addressed in the opinion. Accordingly, it is possible that a court would reach an opinion contrary to that expressed by Bond Counsel and hold that the Deferred Revenues are not subject to the pledge to repay the Notes.

The District is unable to predict what further actions might be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the exact impact such actions or the 2010-11 State Budget and accompanying legislation will have on State revenues available to the District. The State Budget will continue to be affected by future national and State economic conditions and other factors over which the District has no control See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA" herein.

#### **Projected and Actual Cash Flows**

The District has prepared the accompanying monthly General Fund cash flow statements based on unaudited actual results for Fiscal Year 2009-10 and projected results for Fiscal Year 2010-11 and for the months of July and August 2011. The General Fund is used to finance the ordinary operations of the District and is available for any legally authorized purpose. The anticipated deficit occurs due to the daily timing of expenditures occurring prior to the receipt of revenues for the month. The projections for Fiscal Year 2010-11 are based on the District's adopted budget for Fiscal Year 2010-11 and actual results for July and August 2010.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT  
2009-10 Actual Cash Flow<sup>(1)</sup>**

	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	January Actuals	February Actuals	March Actuals	April Actuals	May Actuals	June Actuals	Total
<b>BEGINNING CASH BALANCE</b>													
<b>REVENUE</b>													
Revenue Limit													
Federal Revenues													
Other State Revenue													
Other Local Revenue													
<b>TOTAL REVENUES</b>													
<b>EXPENDITURES</b>													
Certificated Salaries													
Classified Salaries													
Employee Benefits													
Books & Supplies													
Services/Oper Expenses													
Capital Outlay													
Other Outgo													
Direct/Indirect Costs													
<b>TOTAL EXPENDITURES</b>													
<b>TOTAL OTHER SOURCES/USES</b>													
<b>PRIOR YEAR TRANSACTIONS</b>													
Accounts Receivable													
State Funding Deferrals													
Accounts Payable													
Deferred Revenue													
<b>NET PY TRANSACTIONS</b>													
<b>OTHER ADJUSTMENTS</b>													
Stores													
TRANS													
Temporary Loans													
<b>TOTAL OTHER ADJUSTMENTS</b>													
<b>NET REVENUE</b>													
<b>ENDING CASH BALANCE</b>													

<sup>(1)</sup> Unaudited.

Source: The District.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT  
2010-11 Actual/Projected Cash Flow**

	July Actual <sup>(1)</sup>	August Actual <sup>(1)</sup>	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	Estimated Actual	Projected Total	July 2010 Projected	August 2011 Projected
<b>BEGINNING CASH BALANCE</b>																
<b>REVENUE</b>																
Revenue Limit																
Federal Revenues																
Other State Revenue																
Other Local Revenue																
<b>TOTAL REVENUES</b>																
<b>EXPENDITURES</b>																
Certificated Salaries																
Classified Salaries																
Employee Benefits																
Books & Supplies																
Services/Oper Expenses																
Capital Outlay																
Other Outgo																
Direct/Indirect Costs																
<b>TOTAL EXPENDITURES</b>																
<b>TOTAL OTHER SOURCES/USES</b>																
<b>PRIOR YEAR TRANSACTIONS</b>																
Accounts Receivable																
State Funding Deferrals																
Accounts Payable																
Deferred Revenue																
<b>NET PY TRANSACTIONS</b>																
<b>OTHER ADJUSTMENTS</b>																
Stores																
TRANS																
Temporary Loans																
<b>TOTAL OTHER ADJUSTMENTS</b>																
<b>NET REVENUE</b>																
<b>ENDING CASH BALANCE</b>																

(1) Unaudited.

Source: The District.

## **Other District Funds**

The District maintains certain segregated and special purpose funds outside its General Fund not pledged to the payment of the Notes, which, if needed and to the extent moneys are available therein, could be accessed on a temporary basis through District Board of Trustees action. Such borrowed amounts must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances. See "CORONA-NORCO UNIFIED SCHOOL DISTRICT—Additional District Funds" herein for a description of significant other funds maintained by the District.

## **Limitations on Noteholder Remedies; Lien in Event of Bankruptcy**

The rights of the owners of the Notes are subject to the limitations on legal remedies school districts in the State. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The Treasurer-Tax Collector for the County of Riverside acts as Paying Agent for the Notes, and holds the Repayment Fund as well as other funds of the District, the County and other public entities located in the County.

A March 1995 ruling of the United States Bankruptcy Court for the Central District of California, concerning an issue of Orange County tax and revenue anticipation notes issued in 1994 under the same statutory authority as the Notes, held that the lien securing the Orange County notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition on December 6, 1994, and, therefore, Orange County was not required to set aside the revenues pledged under the note resolution following the bankruptcy, because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United States District Court for the Central District of California reversed the decision of the Bankruptcy Court. Orange County appealed the decision of the District Court to the United States Court of Appeals for the Ninth Circuit. Before the Ninth Circuit rendered a decision, the parties settled their disputes. Accordingly, it is not clear, if the County were to file for bankruptcy, whether a court would require it to set aside revenues as described above.

Because the County Treasurer is in possession of the taxes and other revenues that will be set aside to pay the Notes and may invest these funds in the pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the set-aside funds. In that case, unless the Beneficial Owners of the Notes could "trace" the funds, the Beneficial Owners would be merely unsecured creditors of the County. There can be no assurance that the Beneficial Owners could successfully "trace" the pledged taxes and other revenues.

## **FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA**

### **Major Revenues**

School district revenues consist primarily of State moneys required to be paid to school districts under the California Constitution, *ad valorem* property taxes collected on property within the District and funds



received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to school districts.

Each school district receives a portion of the local property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit amount that a district is to receive under State funding formulas, and the balance is received in the form of State aid. The sum of the property taxes and State aid equal the district's revenue limit. Districts which receive the minimum amount of State aid are known as "Basic Aid" districts. The District is not a Basic Aid district.

School districts in the State have historically received most of their income under a formula known as the State revenue limit. This apportionment, which is funded by State general fund moneys and local property taxes (and in the case of community college districts, certain other local revenues), is allocated to the school districts based on the average daily attendance ("ADA") of the school districts for either the current or preceding school year. Generally, such apportionments will amount to the difference between the school district's revenue limit and the district's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts).

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. The rest of a school district's budget comes from categorical funds provided by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 2% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

The State revenue limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from state and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. Thus, the State revenue limit helps to alleviate the inequities between the two types of districts.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of state aid owed to such school district and notify the State Controller of the amount, who then distributes the state aid.

The calculation of the amount of State aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year state revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualified for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to

arrive at the amount of state aid based on the State revenue limit to which each school district is entitled for the current year.

### **State Budget Measures**

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information. On March 13, 2009, the Legislative Analyst's Office (the "LAO") released a report analyzing the provisions of the 2009 Budget Act (the "2009 Budget Act Report") and In November 2009, the Legislative Analyst's Office (the "LAO") released its report "The 2010-11 Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report), on January 12, 2010 released its overview of the Governor's proposed budget for fiscal year 2010-11 and on May 18, 2010, released its report on the May revision to the Governor's proposed budget for fiscal year 2010-11. The following information has been adapted from information recently provided by the State in connection with its issuance of certain of its bonds and by the LAO in the reports listed above.*

As a result of State budget shortfalls in recent years, the District has received significantly less revenue from the State and has had to reduce expenditures. See "CORONA-NORCO UNIFIED SCHOOL DISTRICT—Budget Process and Adopted General Fund Budgets" herein.

**State Current Financial Stress.** Since the start of 2008, the State has been experiencing the most significant economic downturn and financial pressure since the Great Depression of the 1930s. As a result of continuing weakness in the state economy, state tax revenues have declined precipitously, resulting in large budget gaps and cash shortfalls. The Legislature and the Governor adopted three major budget plans, covering both the 2008-09 and 2009-10 fiscal years, in less than 11 months, in response to continuing deterioration in the State's fiscal condition. In the course of these three budget plans, the Legislature enacted some \$60 billion in budget measures, including some revenue increases and borrowing, but consisting primarily of expenditure reductions which have affected almost all state government, education, social services and other programs funded by the State.

The initial 2008 Budget Act adopted in September 2008 estimated State General Fund revenues and transfers for fiscal year 2008-09 of approximately \$102 billion with expenditures of \$103.4 billion. By the time of the adoption of the amended State budget for 2009 (the "Amended 2009 Budget Act") in July 2009, State General Fund revenues (even including certain new revenues) for the 2009-10 fiscal year were estimated at only \$89.5 billion and expenditures at \$84.6 billion. The Amended 2009 Budget Act only provided for a \$500 million reserve at June 30, 2010. A number of the budgetary assumptions used by the State in enacting the Amended 2009 Budget were not fully realized and as discussed in further detail below, as of May 2010, the State is projecting a \$7.7 billion budget shortfall in fiscal year 2009-10 and a \$10.2 billion shortfall in fiscal year 2010-11.

**Cash Management and Impact on Schools.** The sharp drop in revenues over the last two fiscal years has also resulted in a significant depletion of cash resources to pay the State's obligations. For a period of one month, in February 2009, the State deferred making certain payments from the State General Fund in order to conserve cash resources for high priority obligations, such as education and debt service. Full payments resumed in March 2009, and the State was able to pay all its obligations through June 30, 2009, including repayment of \$5.5 billion of 2008-09 revenue anticipation notes. However, by July 2009, as new budget gaps were identified and with the failure to adopt corrective actions, the State's cash resources had dwindled so far that, commencing July 2, 2009, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of the recipients thereof, bore interest. With enactment of the Amended 2009 Budget Act in late July 2009, and the ability to issue \$1.5 billion of interim 2009-10 revenue anticipation notes, the State was able to call all its outstanding registered warrants for

redemption on September 4, 2009. The issuance of state registered warrants this year was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

To better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring the amounts owed to public schools, until a later date in the Fiscal Year, or even into the following Fiscal Year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in Fiscal Years 2008-2009 and 2009-2010. Some of these statutory deferrals were made permanent, and others were implemented only for one Fiscal Year.

The advance apportionment for most school districts was modified for Fiscal Year 2009-2010 pursuant to Chapter 23, Statutes of 2009. This bill reduced the annual estimated state aid for July, August, and November by adjusting the monthly percentage to meet a statewide target deferral amount of \$1 billion in July, \$1.5 billion in August, and \$1 billion in November. The reduced amounts were restored in December, October, and January respectively.

On March 1, 2010, the Governor signed a bill (and on March 4, 2010 and March 22, 2010, subsequently signed clean-up bills to amend and 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 Fiscal Year 2010-2011 for K-12 school districts, including charter schools (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the Fiscal Year). Deferrals of payments to K-12 schools may be made 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, State Treasurer and Director of Finance of the State may either accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. On March 30, 2010, the State Controller, State Treasurer and Director of Finance of the State jointly provided a written declaration to the Legislature and State Department of Education of the expected amounts and timing of payment deferrals for the 2010-2011 Fiscal Year. On April 16, 2010, the State Department of Education and the State Superintendent of Public Instruction issued a letter informing school districts of the expected amounts and timing of payment deferrals, which are as follows:

(1) 100% of the July 2010 payment will be deferred for 60 days to September 2010, in the amount of \$2.5 billion. A \$1,249,500,000 portion of this amount includes amounts further deferred from February and June 2010 pursuant to previous enactments;

(2) 100% of the October 2010 payment will be deferred for 90 days to January 2011, in the amount of \$2.5 billion; and

(3) 100% of the March 2011 payment will be deferred until April 29, 2011, in the amount of \$2.5 billion.

Certain school districts that can demonstrate hardship in procedures specified in the Cash Management Bill will not be subject to these deferrals. The application for an exemption from the payment deferrals requires, among other things, the school district, county of office of education or State Board of Education that granted an applicant's charter to certify to the State Superintendent of Public Instruction that deferral will cause an applicant to be unable to meet its expenditure obligations during the deferral period. In addition, an applicant must demonstrate that it has exhausted all internal and external sources of borrowing and will be forced to cease operations if payments are deferred. In total, the State Department of Finance estimates all deferrals authorized under the Cash Management Bill (which includes deferrals to community colleges, school districts, social services and other entities receiving State funds) will improve the State's cash position by up to \$5.3 billion in certain months, thereby reducing the need for external cash management borrowing or other measures.

There can be no assurances that the fiscal stress and cash pressures currently facing the State will not continue or become more difficult, or that continuing declines in State tax receipts or other impacts of the current economic recession will not further materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually through at least fiscal year 2012-13 without further corrective actions.

**Enactment of State Budget for 2009-10.** The State's budget for Fiscal Year 2009-10 was enacted in an unusual sequence. The 2008 Budget Act was one of the latest ever enacted, having been delayed until mid-September 2008 as a result of the difficulty of balancing the budget with reduced revenues, as declining economic conditions were already evident. The 2008 Budget Act, however, was based on revenue assumptions made in the spring of 2008, which proved to be greatly overstated by the time actual revenue results for September and October 2008 were received. With the financial market meltdown starting in September 2008, which resulted in massive federal assistance and caused large drops in stock market and other asset values and reductions in consumer spending, projections of tax revenues, which are heavily dependent on capital gains taxes and sales taxes, had to be dramatically reduced. In November 2008, the Governor announced that the 2008 Budget Act would be billions of dollars out of balance, and called several special sessions of the Legislature to enact corrective actions.

**Initial 2009 Budget Act.** The Initial 2009 Budget Act was adopted by the Legislature on February 19, 2009, along with a number of implementing measures, and signed by the Governor on February 20, 2009. In February, the State enacted \$36 billion in measures to what was then estimated to be a \$42 billion State General Fund budget gap for the combined 2008-09 and 2009-10 fiscal years. It also provided for five budget-related measures that would have provided an estimated \$6 billion in additional budget measures, to be placed before the voters on May 19, 2009. These measures were all rejected by the voters.

Under the Initial 2009 Budget Act, based on then-current assumptions about the State's financial circumstances, and assuming receipt of approximately \$8.0 billion of federal stimulus funds to offset State General Fund costs and voter approval of various ballot measures, State General Fund revenues and transfers were projected to increase 9.3 percent, from \$89.4 billion in fiscal year 2008-09 to \$97.7 billion in fiscal year 2009-10. The Initial 2009 Budget Act contained State General Fund appropriations of \$92.2 billion, compared to \$94.1 billion in 2008-09, a 2.0 percent decrease. The June 30, 2010 total reserve was projected to be \$2.1 billion, an increase of \$5.5 billion compared to the estimated June 30, 2009 reserve deficit of negative \$3.4 billion.

After adoption of the Initial 2009 Budget Act, the State continued to experience continuing significant declines in revenues and other financial pressures. On May 14, 2009, the Governor released the 2009-10 May Revision. Together with subsequent revisions, the 2009-10 May Revision identified a further budget shortfall through the 2009-10 fiscal year of approximately \$24 billion.

**Adoption of Amended 2009 Budget Act.** On July 24, 2009, the Legislature approved the amendments to the Initial 2009 Budget Act and the Governor signed the Amended 2009 Budget Act on July 28, 2009. The Amended 2009 Budget Act includes another \$24 billion in measures to address the further deterioration of the State's fiscal situation identified in the 2009-10 May Revision.

Under the Amended 2009 Budget Act, State General Fund revenues and transfers are projected to increase 6.4 percent, from a revised \$84.1 billion in fiscal year 2008-09 to \$89.5 billion in fiscal year 2009-10. The Amended 2009 Budget Act contains State General Fund appropriations of \$84.6 billion in 2009-10, compared to \$91.5 billion in 2008-09, a 7.5 percent decrease. The June 30, 2010 total reserve is projected to be \$500 million as compared to the revised June 30, 2009 reserve of negative \$4.5 billion.

The Amended 2009 Budget Act contains the following major State General Fund components:

1. Addressing the Deficit – The \$60 billion in budget measures adopted for the combined fiscal years 2008-09 and 2009-10 (\$36 billion in measures were adopted in February 2009 and \$24 billion in July 2009) are wide-ranging and touch all three of the State’s major revenue sources (personal income taxes, corporation taxes and sales and use taxes). Spending cuts are implemented in virtually every State program that receives State General Fund support. The budget measures include spending reductions of \$31.0 billion (52 percent of total measures). The spending reductions consist primarily of reductions in education spending under Proposition 98 (\$14.9 billion reduction), higher education (\$3.3 billion reduction), employee compensation (\$2.0 billion reduction), and reductions in other spending due to the use of redevelopment agency revenues and fund balances to pay costs that would otherwise be payable from the State General Fund (\$1.7 billion reduction). The budget measures also include an estimated receipt of \$8.0 billion (13 percent of total measures) of federal stimulus funds which will be used to offset State General Fund expenditures. Additional measures include \$12.5 billion of tax increases (21 percent of total measures), and \$8.4 billion of other measures (14 percent of total measures). Significant elements of the other budget measures include:
  - *Proposition 1A of 2004 Borrowing from Local Governments* – The Amended 2009 Budget Act authorizes the State to exercise its borrowing authority under Proposition 1A of 2004 to borrow from local agencies up to 8 percent of their 2008-09 property tax revenues. This borrowing is estimated to generate \$1.935 billion that will be used to offset State General Fund costs for a variety of court, health, corrections, and K-12 programs. The enabling legislation specifies the borrowed sums will be repaid by the State, with interest, no later than the end of June 2013.
  - *Redevelopment Agency Borrowing* – The Amended 2009 Budget Act also contains a shift of \$1.7 billion in local redevelopment agency funds to the State from current revenues and reserves in 2009-10 and \$350 million in 2010-11. Under the Amended 2009 Budget Act these revenues are ultimately shifted to schools that serve the redevelopment areas. An association of redevelopment agencies has announced that it will sue to block this transfer which if successful could adversely affect the State’s financial condition. (The failure of the Legislature, during the regular session ended on           September           11, 2009, to pass clean-up legislation clearly authorizing redevelopment agencies to borrow from low and moderate income housing accounts may jeopardize the ability of some agencies to make their full payment to the Supplemental Education Revenue Augmentation Fund in 2009-10, thus some portion of the \$1.7 billion budget measure may not be achieved in 2009-10 as planned. It is likely that these funds could be paid in later years as agencies receive new revenues with which to make the payments.)
  - *Payroll Shift* – One-time savings of \$1.618 billion (\$937.6 million State General Fund) from shifting the June payments for employee payroll and active and retiree health to July each year beginning with the pay period ending June 30, 2010. This payment shift excludes the University of California, California State University, Community Colleges, the Legislature, the California Exposition and State Fair, and local trial courts.
  - *State Compensation Insurance Fund Sale* – One-time revenues of \$1 billion from the sale of certain assets of the State Compensation Insurance Fund (“SCIF”).
2. Federal Stimulus – The Amended 2009 Budget Act assumed the receipt of at least \$8 billion from the American Recovery and Reinvestment Act of 2009 to offset State General Fund expenditures in fiscal years 2008-09 and 2009-10. Final estimates put this amount at about \$8.1 billion. As of the end of August 2009, approximately \$5 billion has been received by the State.

3. Cash Flow Management – The deterioration of revenues resulted in a cash shortage in 2008-09 and 2009-10. In order to manage cash flow and provide for timely payments of the State's obligations, the Amended 2009 Budget Act includes a number of cash measures to better balance timing of receipts and disbursements.
4. Proposition 98 – The Proposition 98 Guarantee for 2009-10 is projected to be \$50.4 billion, of which \$35.0 billion is the State General Fund portion. See “—Proposition 98 and K-14 Funding” below.
5. K-12 Education – The Amended 2009 Budget Act includes \$66.7 billion for K-12 education programs for 2009-10 of which \$35.0 billion is funded from the State General Fund. This reflects a decrease of \$1.8 billion or 2.6 percent below the revised 2008-09 budget. Total per-pupil expenditures are projected to decrease by \$262 to \$11,259 in 2009-10.
6. Higher Education – The Amended 2009 Budget Act reflects a total funding of \$20.9 billion, including \$12.5 billion State General Fund and Proposition 98 sources for all major segments of Higher Education (excluding infrastructure and stem cell research). This reflects an increase of \$1.416 billion (including \$248.6 million State General Fund and Proposition 98 sources) above the revised 2008-09 estimate.
7. Health and Human Services – The Amended 2009 Budget Act includes \$24.8 billion in non-Proposition 98 State General Fund expenditures for Health and Human Service Programs for 2009-10, which is a decrease of \$3.9 billion or 13.5 percent from the revised 2008-09 estimate. Due to the State's severe fiscal shortfall, the Initial 2009 Budget Act included \$2.4 billion in proposed State General Fund expenditure reductions in Health and Human Services programs in 2009-10, and the Amendments to the 2009 Budget Act include an additional \$3.4 billion in 2009-10 State General Fund expenditure reductions in these programs. Unlike the budget enacted by the Legislature in February, the Amended 2009 Budget Act reflects significant State General Fund relief for Health and Human Services programs resulting from the American Recovery and Reinvestment Act of 2009.
8. Transportation Funding – The Amended 2009 Budget Act includes \$1.441 billion of State General Fund expenditures to fully fund local transportation programs under Proposition 42 in 2009-10. Proposition 1B was also passed in November 2006, providing \$19.9 billion in bonding authority for a total of 16 programs intended to address a broad range of transportation priorities including rehabilitation and expansion of highways, transit and transit security, port security, and air quality. The authority for the use of any bond funds must be provided for in a budget act. The Amended 2009 Budget Act appropriates \$4.2 billion of funds from the Proposition 1B bond authorization. Additionally, the Amended 2009 Budget Act directs \$953 million of funds from sales tax on fuels to offset costs of programs otherwise likely to be funded from the State General Fund such as debt service on transit bonds and other transportation programs. Of this amount approximately \$816 million is for uses substantially similar to those that are the subject of litigation related to the 2008 Budget Act. On September 30, 2009 the Supreme Court denied review of an adverse Court of Appeal decision in this case.
9. Budget Stabilization Account – Under normal circumstances, the State would set aside a specified portion of estimated annual State General Fund revenues for fiscal year 2009-10 in the BSA for reserves that may be used to offset future shortfalls in the State General Fund. Given the magnitude and urgency of the State's ongoing financial stress, the Amended 2009 Budget Act continues to suspend the transfer to the BSA for the 2009-10 fiscal year.
10. Prison Funding – The Amended 2009 Budget Act includes \$7.9 billion in State General Fund expenditures for the California Department of Corrections and Rehabilitation (“CDCR”). In

arriving at this figure, a total of \$1.2 billion of savings for CDCR operations was assumed. Approximately \$600 million of these savings require further legislative approval to implement and will be achieved through, among other things, prison and parole reforms. (Legislative action on September 11 results in fewer reforms than assumed in the Amended 2009 Budget Act, and will therefore generate less savings. The savings loss is estimated at \$233.4 million.)

*New Revenues.* The Amended 2009 Budget Act included several major changes in State General Fund revenues described below. The Amended 2009 Budget Act did not include any additional tax increases over those provided for pursuant to the Initial 2009 Budget Act, though it did include certain tax law changes intended to increase tax compliance and accelerate some revenues that were not in the Initial 2009 Budget Act.

- Temporary Sales Tax Increase: Effective April 1, 2009, the State General Fund sales and use tax rate was temporarily increased by 1 cent, from 5 percent to 6 percent. This tax increase will be in effect through June 30, 2011. At the time of adoption, this tax law change was expected to generate additional sales tax revenues of \$1.203 billion in 2008-09 and \$4.533 billion (net of \$213 million transferred to the Transportation Investment Fund under Proposition 42) in 2009-10 for the State General Fund.
- Vehicle License Fees: Effective May 19, 2009, vehicle license fees were temporarily increased from 0.65 percent to 1.15 percent with 0.35 percent going to the State General Fund and 0.15 percent going to the Local Safety and Protection Account for local law enforcement grant programs previously funded from the State General Fund. Vehicle license fees apply to the value of the vehicle (initially its market value and then subject to a standard depreciation schedule). This increase is scheduled to remain in effect through June 30, 2011. At the time of adoption, this law change was expected to generate additional revenues of approximately \$360 million in 2008-09 and \$1.6 billion in 2009-10.
- Personal Income Tax Surcharge: The Amended 2009 Budget Act provides for a temporary addition of 0.25 percent to each personal income tax rate for tax years 2009 and 2010. At the time of adoption, this change was expected to generate approximately \$2.8 billion of additional State General Fund revenues in 2009-10.
- Dependent Exemption Credit Reduction: The Amended 2009 Budget Act includes a temporary reduction in the Personal Income Tax exemption credit for dependents to the amount provided for the personal credit for tax years 2009 and 2010 from \$309 to \$99 (tax year 2008 values). At the time of adoption, this change was expected to generate approximately \$1.4 billion of additional State General Fund revenues in 2009-10.

The Amended 2009 Budget Act includes tax law changes affecting the State General Fund as described below.

- Non-Retailer Registration for Use Tax: Under current law, non-retailers – those who do not sell tangible personal property – are not required to register with the Board of Equalization (“BOE”). This law change will require non-retailers that hold a business license and have at least \$100,000 in gross receipts to register with the BOE and submit a return that details purchases made during the year that were subject to the use tax yet for which no use tax was paid. This law change is expected to increase State General Fund sales and use tax revenue by \$26 million in 2009-10 and \$123 million in 2010-11, with increasing amounts thereafter.
- Accelerate Estimated Tax Payments: Under current law, individuals and corporations are required to pay 30 percent each with the first two estimated payments, and 20 percent each for the last two estimated payments. Under this law change, beginning with the 2010 tax year, the first quarter estimated payment percentage will remain at 30 percent, the second quarter will increase

to 40 percent, the third estimated payment will be eliminated, and the fourth quarter estimated payment will increase from 20 percent to 30 percent. This law change is expected to accelerate \$610 million into 2009-10 (\$250 million in personal income tax receipts and \$360 million in corporate tax receipts).

- **Accelerate Wage Withholding:** This tax law change will increase current wage withholding rates by 10 percent and is expected to accelerate \$1.7 billion of personal income tax receipts into 2009-10.
- **Require Backup Withholding:** Under current federal law, gambling winnings reported on Internal Revenue Service ("IRS") Form W2G and payments made by banks and businesses reported on various IRS 1099 forms may be subject to backup withholding on those payments. Payments reported on IRS 1099 forms include payments to independent contractors, rents, commissions, and royalty payments. This law change will conform state law to federal law by requiring a withholding rate of 7 percent for state purposes whenever it is required for federal purposes. This law change is expected to increase personal income tax revenues by \$32 million in 2009-10.

**Projected Future Deficits.** Since many of the actions taken to balance the State's Amended 2009 Budget Act were either one-time actions, or involve loans which have to be repaid, or are based on temporary revenue increases or the limited receipt of federal stimulus funds, budget gaps of several billions of dollars a year are expected to recur in 2010-11 and subsequent years. At the time of adoption of the Amended 2009 Budget Act, the Department of Finance projected that, using expenditure obligations under existing law and various assumptions concerning revenues in future years, the State would, in the absence of taking additional steps to balance its budget, face an "operating deficit" (expenditures exceeding revenues in the same fiscal year) of \$7.4 billion in fiscal year 2010-11, \$15.5 billion in 2011-12 and \$15.1 billion in 2012-13. These projections contained a number of assumptions including that the State will ultimately prevail in the pending and threatened litigation concerning budget actions.

The Fiscal Outlook Report updates expenditure and revenue projections for fiscal year 2009-10 and later fiscal years and projects an additional \$14.4 billion budget shortfall in fiscal year 2010-11 if no corrective actions are taken and ongoing budget shortfalls of at least \$20 billion in each fiscal year through 2013-14.

The financial condition of the State is subject to a number of other risks in the future, including particularly potential significant increases in required state contributions to the Public Employees' Retirement System, increased financial obligations related to Other Post-Employment Benefits, and increased debt service.

**Proposition 98 Funding.** The 2009 Budget Amendments reduce Proposition 98 funding to \$49.1 billion in fiscal year 2008-09, a change of \$1.6 billion from the levels set by the Initial 2009 Budget Act. This reduction is achieved primarily by reverting unallocated categorical programs funding that had not been distributed at the end of the 2008-09 fiscal year to the State General Fund. The 2009 Budget Amendments also create a future funding obligation, or "maintenance factor," of \$11.2 billion as a result of the reductions in Proposition 98 funding for fiscal year 2008-09. Payments with respect to this funding obligation will be required in future fiscal years until repaid in full.

For fiscal year 2009-10, the Amended Budget Act reduces Proposition 98 funding to \$50.4 billion, a change of \$4.5 billion from the funding levels set by the 2009 Budget Act. This figure reflects a total reduction in Proposition 98 funding of \$5.3 billion, which is offset by \$850 million in redevelopment revenues shifted from certain state agencies, as discussed above. The bulk of this reduction consists primarily of (i) \$2.1 billion in reductions to school district and county office of education revenue limit payments, (ii) \$80 million in reductions to basic aid school district categorical programs, (iii) \$580 million in reductions to ongoing California Community College funding, and (iv) a deferral of \$1.7 billion in school district revenue limit payments and \$115 million community college apportionments from the 2009-10 fiscal year to August of the 2010-11 fiscal year. As a cash management measure, the 2009 Budget Amendments also defer approximately



\$2 billion in K-12 apportionments from the first few months of the 2009-10 fiscal year to December 2009 and January 2010.

***Governor's Proposed 2010-2011 State Budget.*** On January 8, 2010, the Governor released his proposed budget for fiscal year 2010-11 (the "Proposed 2010-11 Budget"). On January 12, 2010, the Legislative Analyst's Office released its overview of the Proposed 2010-11 Budget (the "LAO Report"). The following information is adapted from the LAO Report.

The Proposed 2010-11 Budget estimates that, absent corrective measures, the State will end fiscal year 2009-10 with a \$6.6 billion deficit. Also, General Fund expenditures in fiscal year 2010-11 are projected to exceed revenues by approximately \$12.3 billion. The projected budget gap results from an inability of the state to achieve previous budget measures in several areas, the effects of certain adverse court rulings, and the expiration of various one-time and temporary budget measures approved as part of the 2009-10 State budget.

To address the projected budget gap, the Proposed 2010-11 Budget includes approximately \$19.9 billion worth of measures affecting both fiscal year 2009-10 and 2010-11. Specifically, the Proposed 2010-11 Budget includes \$7.6 billion of expenditure reductions, \$7.9 billion worth of measures requiring either federal government funding or flexibility to change programs funded wholly or in part by the federal government, and \$4.5 of additional measures, comprised primarily of fund shifts.

With the implementation of these measures, the Proposed 2010-11 Budget assumes year-end revenues of \$88.1 billion for fiscal year 2009-10, an increase of 6.4% from the prior year. The State is projected to end the 2009-10 fiscal year with a \$5.4 billion deficit, thus eliminating the \$500 million surplus enacted as part of the 2009 Budget Amendments. For fiscal year 2010-11, the Proposed 2010-11 Budget assumes total expenditures of \$82.9 billion (reflecting a decrease of 3.7% from the prior year) and total revenues of \$89.3 billion (reflecting an increase of 1.4% from the prior year). The State is also projected to end fiscal year 2010-11 with a \$1 billion surplus.

Total Proposition 98 expenditures are reduced by \$893 million in fiscal year 2009-10. The bulk of these reductions come from mid-year adjustments to Proposition 98 funding. Specifically, the Proposed 2010-11 Budget recognizes \$340 million in purported savings from increased K-3 class sizes and \$228 million in various baseline adjustments resulting primarily from reduced student attendance.

For fiscal year 2010-11, the Proposed 2010-11 Budget implements \$1.5 billion in reductions to K-12 revenue limit funding. This reduction would be achieved by (1) requiring school districts to spend less on central administration, (2) consolidating county office of education functions, and (3) removing restrictions on the contracting out of non-instructional services. The remaining cuts include recognizing a 0.38% decline in costs of living adjustments (\$230 million), reducing eligibility and reimbursement rates for CalWORKs Stage 3 child care (\$200 million), and recognizing additional savings from increased K-3 class sizes (\$210 million). The Proposed 2010-11 Budget also provides \$126 million to fund a 2.2% enrollment growth at California community colleges, and \$77 million to fund three K-12 mandates.

The Proposed 2010-11 Budget would implement new flexibility for school districts to respond to the various proposed cuts, including (1) eliminating seniority rules that apply to layoffs, assignments/reassignments, transfers and hires, (2) eliminating rules regarding priority for receiving substitute teacher assignments, and (3) extending the layoff notification window to 60 days after the state budget has been enacted.

With the implementation of these measures, the Proposed 2010-11 Budget provides for \$49.8 billion in Proposition 98 funding for fiscal year 2009-10, including \$34.6 billion from the State general fund. For fiscal year 2010-11, Proposition 98 funding is set at \$49.9 billion, including \$36.1 from the State general fund, reflecting an increase of 0.2% from the prior year. The LAO notes that, while Proposition 98 funding remains virtually flat across fiscal years 2009-10 and 2010-11, the State general fund share will increase by

approximately 4.1%, while the share covered by local property tax revenues will decline by approximately 8.7%. While this is attributable in part to the slumping real estate market, the bulk of the decline in State general fund support results from the one-time \$850 million contribution from redevelopment agencies approved as part of the 2009 Budget Amendments.

Generally, the LAO is supportive of the Proposed 2010-11 Budget's funding of Proposition 98, particularly the Governor's efforts to keep Proposition 98 spending flat across the current and coming fiscal year, and the flexibility options for school districts. However, the LAO notes that minimum funding guarantee for fiscal year 2010-11 could rise if the Legislature does not adopt the proposed modifications to transportation funding discussed herein, or if the State does not receive all the anticipated federal stimulus funds built into the Proposed 2010-11 Budget. Moreover, the LAO notes that approximately \$600 million of the proposed reductions to education funding are predicated on the receipt by the State of a federal waiver of maintenance-of-effort requirements under ARRA.

In addition to the provisions regarding education funding discussed above, the Proposed 2010-11 Budget includes the following major features:

- *Transportation Funding.* Elimination of most Proposition 42 transportation funding by repealing the State sales tax on gasoline. The State would make up the lost revenues by increasing the per gallon excise tax on gasoline (the "Gas Tax"). For fiscal year 2010-11, this proposal is projected to reduce fuel sales tax revenues by \$2.8 billion. The Proposed 2010-11 Budget would partially offset this loss with a 10.8 cents per gallon increase of the Gas Tax, which is projected to generate \$1.9 billion in revenues, resulting in a net reduction of transportation revenues of approximately \$1 billion. The Proposed 2010-11 Budget does not provide any additional public transit or rail funding, either in fiscal year 2010-11 or going forward. In addition, by reducing State sales tax revenues, the Proposed 2010-11 Budget expects to achieve additional savings by lowering the Proposition 98 minimum funding guarantee.
- *State Employees.* \$1.6 million of anticipated general fund savings by ending the current employee furlough program and instituting (1) a five percent reduction of state employee salaries across the board, (2) a five percent increase in employee pension contributions, and (3) a five percent unallocated reduction of departmental personnel costs.
- *Medi-Cal.* \$750 million of various measures designed to reduce Medi-Cal costs through unspecified limits on services, utilization controls, and increased cost sharing with benefits recipients through copayment requirements or premiums. The Proposed 2010-11 Budget also anticipates \$294 million in savings in fiscal years 2009-10 and 2010-11 by eliminating full-scope Medi-Cal services for certain immigrants, eliminating adult day health care benefits, delaying payments to institutional providers, and rescinding family planning rate increases.
- *Corrections/Rehabilitation.* \$811 million of assumed savings from the reduction of inmate medical costs. The LAO notes that the Proposed 2010-11 Budget fails to specify the measures of achieving this savings. The Proposed 2010-11 Budget also assumes savings of \$25 million in fiscal year 2009-10 and \$292 million in 2010-11 by requiring that certain non-serious, non-violent and non-sex-offense felonies result in one-year county jail sentences in lieu of state prison sentences.
- *Department of Developmental Services.* \$200 million in assumed savings in fiscal year 2010-11 through various cost-control measures for the Department of Developmental Services ("DDS").

- *Delay of Local Government Mandate Payments.* \$137 million in anticipated reductions by suspending mandates not related to elections, law enforcement and property taxes. The Proposed 2010-11 Budget also anticipates saving \$95 million by deferring scheduled mandates for costs incurred prior to fiscal year 2004-05.
- *Social Services.* \$178 million in reductions to SSI/SSP programs by reducing grants to individuals by \$15 per month (or 1.8%). The Proposed 2010-11 Budget also includes a 15.7% reduction in CalWORKs grants, with assumed general fund savings of \$117 million.
- *Proposition 10 Ballot Proposal.* The Proposed 2010-11 Budget would place, on the June 2010 election ballot, a measure to allow use of Proposition 10 early childhood development funds for State general fund-supported DDS and Department of Social Services programs that serve children. It is anticipated that these measures would generate \$550 million in general fund savings. The LAO notes that this proposal is similar to the Proposition 1D ballot proposal that was unsuccessfully put to the voters as part of the 2009 Budget Act.
- *Proposition 63 Ballot Proposal.* The Proposed 2010-11 Budget would also place on the June 2010 election ballot a measure shifting \$452 million of Proposition 63 mental health funds to pay State general fund costs for specified Department of Mental Health programs in fiscal years 2010-11 and 2011-12. The LAO notes that this proposal is similar to the Proposition 1E ballot proposal that was unsuccessfully put to the voters as part of the 2009 Budget Act.
- *Other Measures.* The Proposed 2010-11 Budget also includes the following measures: (1) elimination of the Cash Assistance Program for Immigrants and the California Food Assistance Program (\$200 million); (2) use of automated speed enforcement systems to reduce state costs for trial courts (\$297 million); (3) a 4.8% surcharge on residential and commercial property insurance (\$200 million) to cover fire protections costs; (4) approval by the Legislature of a lease to mine oil and gas off the Santa Barbara coast (\$197 million) to cover costs associated with the State park system.

In addition to the various expenditures reductions and revenue measures described above, the Proposed 2010-11 Budget relies heavily on the receipt of federal government funding, or operating flexibility for state-federal programs, collectively totaling \$7.9 billion. As discussed above, the LAO notes that other portions of the Proposed 2010-11 Budget, including some cuts to education funding, may also require federal approval.

The Proposed 2010-11 Budget identifies \$6.9 billion of federal funds to relieve fiscal year 2010-11 general fund costs, many of which, if received, would be of a one-time nature. These funds include the following:

- *Medi-Cal/Medicare.* Assumed savings of \$1.8 billion by having the federal government increase the State's Federal Medical Assistance Percentage ("FMAP") funding ratio. The Proposed 2010-11 Budget also would request the federal government to extend through June 30, 2011 the increased FMAP provided as part of ARRA, resulting in an assumed savings of \$1.2 billion. Pursuant to ARRA, this increased FMAP is set to expire during calendar year 2010. Finally, the Proposed 2010-11 Budget assumes \$1 billion in Medi-Cal relief from various federal moneys the Governor's administration believes are owed to the State, including funds related to health costs for individuals actually eligible for Medicare and changes to the level of state funding for prescription drug costs.
- *Other Federal Funds.* The Proposed 2010-11 Budget assumes State general fund savings in connection with other miscellaneous programs, including: (1) \$1 billion of anticipated federal reimbursement for special education services; (2) \$538 million from an extension of ARRA

funding for the CalWORKs program; and (3) \$880 million of federal funding to fully offset costs of incarcerating undocumented immigrant, which the LAO notes is substantially in excess the federal funding the State has received in past years for such costs (approximately \$111 million per year).

The Proposed 2010-11 Budget includes other expenditure and revenue measures that may be triggered in the event some of the above-described federal funds are not received. Possible expenditure reductions (\$3.8 billion) include elimination of the CalWORKs, IHSS and Health Families programs, and well as an additional five percent state employee salary reduction. Possible one-time revenue increases (\$2.3 billion) include the extension of business tax changes relating to operating losses, extension of the temporary reduction in the dependent personal income tax credit approved as part of the 2009 Budget Act, and the delayed implementation of various other personal and corporate tax breaks.

While generally supportive of the Proposed 2010-11 Budget's revenue forecasts, the LAO perceives some flaws. Beyond questioning some of the assumed savings claimed by the Proposed 2010-11 Budget, the LAO notes that many of the proposed measures, such as a unilateral increase in state employee pension contributions, raise questions regarding their legality. Other proposed cuts to health, social services and transportation funding may face lawsuits. Finally, the LAO cautions that it is highly unlikely that the State will receive all the federal funds or flexibility sought by the Proposed 2010-11 Budget, and advocates more modest assumptions in the receipt of such federal assistance.

Additional information regarding the Proposed 2010-2011 Budget may be obtained from the LAO at [www.lao.ca.gov](http://www.lao.ca.gov).

#### **May Revision to 2010-11 Proposed State Budget**

*Governor's May Revision to the Proposed 2010-11 Budget.* On May 14, 2010, the Governor released his May revision to the Proposed 2010-11 Budget (the "May Revision"). On May 18, 2010, the LAO released its summary of the May Revision (the "LAO May Revision Summary"). The following information is drawn from the May Revision Summary.

The May Revision estimates a total budget deficit of \$17.9 billion through fiscal year 2010-11, a net reduction of approximately \$1 billion from the deficit projected by the Proposed 2010-11 Budget. This reduction results from (1) increased State revenues occasioned by the gas tax and enhanced Medicaid federal matching funds and (2) offsetting cost increases and declines in State revenues. Absent corrective action, the May Revision estimates that the State will end fiscal year 2009-10 with a \$7.7 billion deficit. State general fund expenditures for fiscal year 2010-11 are also expected to exceed revenues by approximately \$10.2 billion.

To address this projected gap, the May Revision proposes measures totaling \$19.1 billion for both fiscal years 2009-10 and 2010-11. These measures are in addition to, or modify, those set out by the Proposed 2010-11 Budget. Specifically, the May Revision proposes \$12.2 billion in expenditure reductions, \$2.6 billion in loans, transfers and fund shifts, and \$900,000 in revenue increases. The May Revision also assumes the receipt of \$3.4 billion in federal funds, a significant decrease from the amount assumed by the Proposed 2010-11 Budget.

With the implementation of these measures, the May Revision assumes, for fiscal year 2009-10, year-end revenues of \$86.5 billion and expenditures of \$86.4 billion and that the State will end the 2009-10 fiscal year with a deficit of \$6.8 billion. For fiscal year 2010-11, the May Revision projects total revenues of \$91.4 billion and expenditures of \$83.4 billion. The May Revision projects that the State will end the 2010-11 fiscal year with a \$1.2 billion reserve.

For fiscal year 2009-10, the May Revision keeps total Proposition 98 funding virtually unchanged at \$49.9 billion. This level of funding is maintained despite a drop in State general fund revenues and a

corresponding decrease in the Proposition 98 minimum guarantee. As a result, the May Revision provides for \$503 million more than the Proposed 2010-11 Budget. The May Revision counts this overappropriation as a payment towards the State's \$11.2 billion in outstanding maintenance factor payments. Although total Proposition 98 funding remains relatively unchanged, the State general fund share increases to \$35.8 billion (an increase of approximately \$1.2 billion) to offset declines in local property tax revenues.

For fiscal year 2010-11, the May Revision reduces total Proposition 98 funding to \$48.4 billion, including \$35 billion from the State general fund. The May Revision purports to achieve the bulk of this reduction (\$1.2 billion) by eliminating all Proposition 98 support for state-subsidized child care. The May Revision also purports to achieve \$1.5 billion in savings by "rebenching" the Proposition 98 minimum funding guarantee to reflect the elimination of these child care services. The LAO notes that the legality of this rebenching is unclear and suggests that the Legislature consider suspending Proposition 98 in fiscal year 2009-10 and fund the minimum Proposition 98 guarantee amount of \$50.8 billion in fiscal year 2010-11 or suspend the guarantee in both fiscal years and fund a flat amount of \$49.8 billion in both years.

Other significant measures included as part of the May Revision are discussed below:

- *State Employees.* \$795 million in anticipated savings from a mandatory personal leave program pursuant to certain State employees will have their take-home pay reduced by the equivalent of eight hours of pay each month during fiscal year 2010-11. Such employees would be credited with a corresponding amount of personal leave hours.
- *CalWORKs.* \$1.2 billion by the elimination of the CalWORKs program. Combined with other CalWORKs reductions set forth in the Proposed 2010-11 Budget, total savings are assumed to be \$2.5 billion. The LAO recommends the rejection of this proposal, principally on grounds that the State would in forego significant amounts of federal funding tied and that elimination of the CalWORKs program would shift to counties the cost of providing services to needy families.
- *Medi-Cal.* Approximately \$900 million in savings from a variety of changes to the Medi-Cal program, including: (i) enrolling seniors and persons with disabilities in managed care; (ii) imposing new copayment requirements for various services, hospital stays and emergency room visits ; (iii) limiting physician and clinic visits to ten per year; and (iv) freezing hospital rates. The May Revision assumes the receipt of federal approval of these reductions. The May Revision also largely eliminates the Drug Medi-Cal program, a substance abuse program partly funded by the federal government.
- *Health.* \$602 million in purported savings by allowing counties to provide no more than the minimum range of mental health services required by the federal government for participation in Medicaid. The May Revision has also removed the Proposition 63 ballot measure included in the Proposed 2010-11 Budget.
- *In-Home Supportive Services.* With a majority of prior In-Home Supportive Services ("IHSS") reductions blocked by court decisions, the May Revision proposes \$750 million in savings to be achieved through cost-containment measures developed in consultation with stakeholders. For fiscal year 2010-11, the net benefit to the State general fund is projected to be \$637 million after factoring in the receipt of federal matching funds under the American Reinvestment and Recovery Act.
- *Corrections/Rehabilitation.* \$244 million in anticipated savings by requiring that certain non-serious, non-violent, non-sex offenders convicted of specified felonies, and who receive a sentence of three years or less, serve such sentences in county jails rather than state prisons.

- *Federal Funding.* As mentioned above, the State has already received federal Medicaid matching funds amounting to approximately \$680 million. The May Revision assumes the receipt of an additional \$3.4 billion in federal aid, with approximately half coming from the congressional extension of the FMAP program and other federal economic stimulus funds. The LAO notes that this amount is significantly lower than the amount of federal funds assumed by the Proposed 2010-11 Budget, and, accordingly, no “trigger” list of alternative proposals is included in the May Revision.
- *Other Measures.* \$1.6 billion of one-time budget relief from the use of special fund monies for State general fund purposes. Also, the May Revision assumes approximately \$200 million in savings through the use of federal retiree reinsurance funds to reduce costs associated with the PERS program.

The LAO May Revision Summary concludes that the State continues to face an ongoing annual General Fund budget gap of around \$20 billion through at least 2014-15. The LAO calculates these ongoing shortfalls will range between \$4 billion and \$7 billion through fiscal year 2014-15 even if all of the Governor’s recommendations in the May Revision are implemented.

### **Future Budgets and Actions**

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the current State budget deficit, 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. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the State General Fund budget.

The District anticipates that with the size of the deficit in the State budget, it will receive less revenue from the State in fiscal year 2010-11 and in response to the expected reductions has adopted a fiscal year 2010-11 budget that reduces expenditures to offset a portion of these revenue reductions.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES**

### **Article XIII A of the California Constitution**

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

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (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% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

### **Legislation Implementing Article XIII A**

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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

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

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

### **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as

the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

### **Article XIII B of the California Constitution**

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

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D, 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 XIIC 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 community college 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 XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one percent *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.

#### **Propositions 98 and 111**

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

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

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further

modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

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

### **Jarvis v. Connell**

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

### **Proposition 1A**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges,

(iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. In the State budget for 2010-11, the State exercised its right to borrow approximately \$1.9 billion of local property taxes under Proposition 1A. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 1A, 39, 62, 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. The nature and impact of these measures cannot be anticipated by the District.

## **CORONA-NORCO UNIFIED SCHOOL DISTRICT**

### **Introduction**

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860, Attention: Superintendent.

### **General Information**

The District, established in 1948, is located in the northwestern portion of Riverside County at the Intersection of the U.S. Interstate 15 and State Route 91 Freeways, adjacent to Orange County. The District encompasses within its boundaries all of the City of Corona, all of the City of Norco and a portion of the unincorporated territory of the County. The District's jurisdiction includes approximately 148 square miles. The ~~total enrollment~~ **average daily attendance** in the District during fiscal year 2009-10 was approximately 50,617 students, and is projected to be approximately 51,417 for fiscal year 2010-11.

The governing board of the District consists of five elected members, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below: A president is elected by members of the board each year. The day-to-day affairs of the District are the responsibility of its Superintendent.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bill Hedrick	President	December 3, 2010
Sharon R. Martinez	Vice President	December 3, 2010
Cathy L Sciortino	Clerk	December 9, 2012
Michell Skipworth	Member	December 9, 2012
Jose W. Lalas, Ph.D.	Member	December 9, 2012

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board.

***Kent Bechler, Ph.D., Superintendent***, was appointed as superintendent effective July 1, 2007. Dr. Bechler has ten years of experience as a superintendent at Walnut Valley Unified School District and at Duarte Unified School District in Los Angeles County. Dr. Bechler has served as a teacher, assistant principal, principal and assistant superintendent in the Glendora Unified School District. Dr. Bechler received his B.A. from Azusa Pacific University, his M.A. from California State University, Los Angeles and his Ph.D. from Claremont Graduate School.

***Thomas R. Pike, Assistant Superintendent, Executive Services***, was appointed on July 1, 2008. Mr. Pike served as Assistant Superintendent, Student Services for eleven years prior and acted as the District's Director of Pupil Services and Coordinator in Special Education for the District from 1986-96. He has earned an M.S. degree in School Counseling and School Psychology.

***Gregory Plutko, Ed.D., Deputy Superintendent, Educational Services***, was hired as the Assistant Superintendent of Executive Services for the District on August 1, 2007. On July 1, 2008, he became the Deputy Superintendent of Educational Services. Prior to coming to work for the District, Dr. Plutko served in the Walnut Valley Unified School District for three years, the last two as an assistant superintendent. Dr. Plutko was also a teacher in the Glendora Unified School District, as well as principal of Glendora High School. Dr. Plutko holds a B.A. and an M.A. from Azusa Pacific University and his Ed.D. from the University of La Verne.

***Michael H. Lin, Ed.D., Assistant Superintendent, Human Resources***, was appointed the Assistant Superintendent, Human Resources on July 1, 2008. Dr. Lin has ten years of experience in Human Resources as a director/administrative director, both in certificated and classified personnel. Additionally, Dr. Lin has served in public education since 1991 as teacher, coach, student activities director, assistant principal in the areas of guidance, curriculum and instruction. Dr. Lin has a B.S. in aerospace engineering from California Polytechnic State University, an M.S. in Educational Administration from California State University, Fullerton and a Doctorate in Institutional Management from Pepperdine University.

***David Hanson, Ed.D., Assistant Superintendent, Instructional Support***, was appointed on July 1, 2008. Dr. Hanson received a B.A. Degree from Brigham Young University in Industrial Technology and M.A. in Administration from California State University, San Bernardino. He has also received his Ed.D. from the University of LaVerne. Dr. Hanson has been in education for nineteen years as teacher, assistant principal and principal of Arlington High School.

***Sherry Mata, Assistant Superintendent, Business Services***, was assigned on July 1, 2008 having previously served as Administrator Director, Director and Coordinator of Business Services. Ms. Mata began with the District in 1987 in Accounting becoming an administrator of Business in 1991 and continued her education professionally and formally and holds an M.B.A. from the University of Phoenix and a B.S. in Business Administration from Redlands University. Ms. Mata has been involved with the development and preparation of the budget for the last five years and was a participant for five years prior.

*Ted E. Rozzi, Assistant Superintendent, Facilities*, was appointed Assistant Superintendent of Facilities in 2001. Mr. Rozzi previously acted as Facilities Director and Administrative Director from 1992 to 2001. He earned an M.B.A. in Finance in 1988 from California State University, San Bernardino.

**Average Daily Attendance; Base Revenue Limit Funding**

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance (“ADA”). Such apportionments will, generally speaking, amount to the difference between the District’s revenue limit and the District’s local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (*i.e.*, unified, elementary and high school). Beginning with 2003-04, revenue limit calculations include only the actual attendance by excluding excused absences.

The average daily attendance and base revenue limit for the District for the most recent five fiscal years and a projection for fiscal year 2010-11 are set forth in the following table.

**AVERAGE DAILY ATTENDANCE  
Fiscal Years 2005-06 through 2010-11  
Corona-Norco Unified School District**

<i>Fiscal Year</i>	<i>Total Average Daily Attendance</i>	<i>Base Revenue Limit per Student per Year<sup>(1)</sup></i>
2005-06	45,029	\$ 5,137.41
2006-07	47,525	5,527.98
2007-08	49,103	5,779.98
2008-09	50,003	6,108.98
2009-10 <sup>(2)</sup>	50,470	6,369.98
2010-11 <sup>(23)</sup>	<b><u>51,417</u></b>	<b><u>6,344.98</u></b>

<sup>(1)</sup> The State applied a deficit factor and funded only \$ \_\_\_\_\_ per student in 2008-09 and \$ \_\_\_\_\_ in 2009-10. The District projects that it will receive only \$ \_\_\_\_\_ per student in fiscal year 2010-11.

<sup>(2)</sup> Estimated Actuals.

<sup>(23)</sup> Projected.

Source: *The District.*

On average throughout the District, the pupil-teacher ratio is approximately 21 to 1 for Kindergarten-3, 31.5 to 1 for grades 4-6, 28.5 to 1 for grades 7-8 and 28 to 1 for grades 9-12.

***Ad Valorem Property Taxation***

***Method of Property Taxation.*** A portion of the District’s total revenue limit is derived from *ad valorem* property taxes collected within the District. District property taxes are assessed and collected by Riverside County at the same time and on the same tax rolls as are county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on September 1 of each year based on the preceding fiscal year’s secured tax rate and become delinquent on October 31.

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is the part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

The passage of AB 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a state-mandated local program by requiring the assignment of the assessed value of all unitary and operating nonunitary property in each county of each state assessee other than a regulated railway company. The legislation established formulas for the computation of applicable countrywide tax rates for such property and for the allocation of property tax revenue attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each county to issue each state assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

**Teeter Plan.** With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the "Law") for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year's delinquent secured property taxes and assessments outstanding.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of three percent of the total of all taxes and assessments levied on the secured roll for that year, one percent of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the ten percent tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments

for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

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

**Assessed Valuations, Tax Levies and Delinquencies**

The following table represents the five-year history of assessed valuations in the District. For the first time in many years, the assessed value of the property in the District declined due to adverse conditions in the real estate market. The decline from fiscal year 2008-09 to ~~2010-11~~2009-10 was approximately 11%. ~~It is possible that there will be a further reduction in~~The County has released the local secured and unsecured assessed valuations for fiscal year 2010-11, which show a decline of less than 1% from fiscal year 2009-10 to 2010-11.

**ASSESSED VALUATIONS**  
**Fiscal Year 2006-07 through 2010-11<sup>(1)</sup>**  
**Corona-Norco Unified School District**

	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2006-07	\$24,292,727,058	\$10,097,307	\$1,169,253,189	\$25,472,077,554
2007-08	28,253,444,127	5,829,451	1,321,798,662	29,581,072,240
2008-09	28,052,045,194	5,829,451	1,451,766,019	29,509,640,664
2009-10	24,985,967,696	5,829,451	1,378,815,229	26,370,612,376
2010-11	<u>24,805,026,841</u>	<u>N/A</u>	<u>1,328,543,458</u>	<u>N/A</u>

<sup>(1)</sup> Information for fiscal years 2006-07 through 2009-10 provided by California Municipal Statistics. Information for fiscal year 2010-11 provided by County of Riverside Assessor.

Sources: California Municipal Statistics, Inc. and County of Riverside Assessor.



The following table shows the dates and percentage of anticipated secured property taxes to be distributed to the District by the County in Fiscal Year 2010-11.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT  
2010-11 SCHEDULE OF SECURED PROPERTY TAX PAYMENTS**

<b>Date of Distribution</b>	<b>Percentage of Total Secured Property Taxes</b>
December 14-18, 2010.....	30%
January 19-22, 2011.....	20
April 5-9, 2011.....	10
May 17-21, 2011.....	40
August 2-6, 2011.....	0 <sup>(1)</sup>
Total.....	100%

<sup>(1)</sup> Any property taxes collected but not distributed in prior periods will be distributed during this time period.  
Source: *County of Riverside Auditor-Controller's office.*

The following summarizes the annual secured tax levy within the District for its outstanding general obligation bonds only and the amount delinquent as of June 30 for the last five fiscal years. For which information is available Under the terms of the County's Teeter Plan, the District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

**SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES<sup>(1)</sup>  
Fiscal Years 2005-06 through 2008-09  
Corona-Norco Unified School District**

<i>Fiscal Year</i>	<i>Secured Tax Charges Levied</i>	<i>Delinquent Secured Taxes</i>	<i>% Delinquent June 30</i>
2005-06	\$ 2,831,574.12	\$ 127,465.24	4.50%
2006-07	3,909,359.06	286,148.83	7.32
2007-08	10,636,603.51	1,001,547.11	9.42
2008-09	11,404,925.31	801,782.55	7.03

<sup>(1)</sup> This table represents the secured *ad valorem* taxes levied in the District solely to repay the District's outstanding General Obligation Bonds and does not include any delinquencies related to other tax or assessment levies.  
Source: *California Municipal Statistics, Inc.*

**Financial Statements of the District**

The District's audited financial statements for the year ended June 30, 2009 are included ~~for reference~~ in Appendix D hereto.

## Historical General Fund Financial Information

The table below summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for Fiscal Years 2004-05 through 2008-09.

### STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Fiscal Years 2004-05 Through 2008-09 Corona-Norco Unified School District

	<i>Audited</i> 2004-05	<i>Audited</i> 2005-06	<i>Audited</i> 2006-07	<i>Audited</i> 2007-08	<i>Audited</i> 2008-09
<b>SOURCES</b>					
Revenue Limit Source	\$ 215,129,634	\$ 234,431,156	\$ 266,216,871	\$ 285,093,123	\$ 283,558,127
Federal Revenues	15,784,875	18,723,830	14,883,939	17,370,952	33,186,153
Other State Revenues	63,159,127	67,462,202	91,545,970	87,705,691	80,154,138
Other Local Revenue	<u>1,323,027</u>	<u>1,973,283</u>	<u>2,557,128</u>	<u>2,208,594</u>	<u>3,074,761</u>
Total Revenues	<u>295,396,663</u>	<u>322,590,471</u>	<u>375,203,908</u>	<u>392,378,360</u>	<u>399,973,179</u>
<b>EXPENDITURES</b>					
Instruction	202,548,444	220,144,811	244,624,316	262,562,623	259,759,521
Instruction – Related Services	31,975,870	36,828,608	41,076,173	43,032,302	41,080,047
Pupil Services	23,017,285	25,470,326	30,341,113	32,716,241	32,402,047
General Administration	10,506,311	7,219,029	11,828,824	11,603,819	12,391,804
Plant Services	26,928,625	30,294,412	36,296,513	38,174,957	35,463,621
Facilities Acquisition & Construction	558,011	151,549	72,676	269,348	2,810
Ancillary Services	2,125,020	2,103,522	2,350,048	2,563,167	2,467,939
Other Outgo	7,750	7,729	184,683	255,577	335,175
Enterprise Services	--	--	(7)	--	--
Debt Service	--	--	--	--	--
Total Expenditures	<u>297,667,311</u>	<u>322,219,986</u>	<u>366,774,534</u>	<u>391,178,034</u>	<u>383,902,964</u>
Excess of (Deficiency) of Revenues Over Expenditures	(2,270,648)	370,485	8,429,374	1,200,326	2,208,594
<b>OTHER FINANCING SOURCES</b>					
Operating Transfers In	2,000,000	5,057,931	--	1,700,000	--
Operating Transfers Out	<u>(4,044,541)</u>	<u>(7,062,226)</u>	<u>(1,747,803)</u>	<u>(1,752,052)</u>	<u>--</u>
Total Other Financing Sources (uses)	<u>(2,044,541)</u>	<u>(2,004,295)</u>	<u>(1,747,803)</u>	<u>(52,052)</u>	<u>19,764</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	<u>(5,418,481)</u>	<u>(1,633,810)</u>	<u>6,681,571</u>	<u>1,148,273</u>	<u>16,089,979</u>
Fund Balance (Deficit), July 1	\$ <u>18,558,290</u>	\$ <u>14,243,101</u>	\$ <u>12,609,291</u>	\$ <u>19,290,862</u>	\$ <u>20,439,136</u>
Fund Balance (Deficit), June 30	\$ <u>14,243,101</u>	\$ <u>12,609,291</u>	\$ <u>19,290,862</u>	\$ <u>20,439,136</u>	\$ <u>36,529,115</u>

Source: The District.

The table below sets forth the District's General Fund balance sheet for the last five fiscal years.

**SUMMARY OF COMBINED GENERAL FUND BALANCE SHEET**  
**Corona-Norco Unified School District**

	<i>Audited</i> 2005-06	<i>Audited</i> 2006-07	<i>Audited</i> 2007-08	<i>Audited</i> <sup>(1)</sup> 2008-09	<i>Unaudited</i> 2009-10
<b>ASSETS</b>					
Deposits and Investments	\$ 407,685	\$ 4,778,117	\$ 3,300,858	\$ 7,894,813	
Accounts Receivable	23,996,898	35,150,435	32,104,004	49,397,203	
Due from Other Funds	1,005,243	616,984	1,318,611	810,058	
Inventory	492,833	498,592	339,956	201,858	
Total Assets	<u>25,902,659</u>	<u>41,044,128</u>	<u>37,063,429</u>	<u>58,303,932</u>	
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable	12,509,888	13,563,347	16,165,375	18,033,029	
Due to Other Funds	118,931	7,633,974	13,654	--	
Deferred Revenue	664,549	555,945	445,264	3,741,788	
Total Liabilities	<u>13,293,368</u>	<u>21,753,266</u>	<u>16,624,293</u>	<u>21,774,817</u>	
<b>FUND EQUITY</b>					
Fund balances					
Reserved	4,170,634	10,071,665	9,858,346	9,067,900	
Unreserved					
Designated	8,438,657	8,575,605	10,580,790	27,461,215	
Undesignated	--	--	--	--	
Total Fund Equity	<u>12,609,291</u>	<u>19,290,862</u>	<u>20,439,136</u>	<u>36,529,115</u>	
Total Liabilities and Fund Equity	<u>\$ 25,902,659</u>	<u>\$ 41,044,128</u>	<u>\$ 37,063,429</u>	<u>\$ 58,303,932</u>	

<sup>(1)</sup> Unaudited Actuals.

Source: The District.

**Budget Process and Adopted General Fund Budgets**

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county

superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the 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 sequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

**Current Financial Condition**

The District's General Fund adopted budgets for the years ended June 30, ~~2009~~**2009** and June 30, ~~2009~~**2010** and ending June 30, 2011, as well as its General Fund audited actual results for the fiscal year ending June 30, 2009 and the ~~unaudited~~**estimated** actual General Fund results for the fiscal year ending June 30, ~~2009~~**2010** are set forth in the following table.

**GENERAL FUND BUDGET AND ACTUAL RESULTS  
FISCAL YEAR ENDING JUNE 30, 2008 AND JUNE 30, 2009  
Corona-Norco Unified School District**

	<i>2008-09</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2009-10</i>	<i>2010-11</i>
	<i>Adopted Budget</i>	<i>Audited Amounts</i>	<i>Adopted Budget</i>	<i>Unaudited Estimate d Actuals</i>	<i>Adopted budget</i>
<b>SOURCES</b>					
Revenue Limit Sources:	\$ 288,610,050	\$ 283,558,127	\$ 251,669,274	\$ <u>252,368,369</u>	\$ <u>256,505,208</u>
Federal Revenues	14,286,591	33,186,153	32,890,881	<u>32,588,378</u>	<u>26,677,089</u>
Other State Revenues	73,822,901	<del>77,164,096</del> <u>80,154,138</u>	73,266,146	<u>72,384,527</u>	<u>72,188,360</u>
Other Local Revenue	<u>1,890,669</u>	<u>3,074,761</u>	<u>1,763,232</u>	<u>3,486,837</u>	<u>2,150,720</u>
Total Revenues	<u>378,610,211</u>	<u>396,983,1373</u> <u>99,973,179</u>	<u>359,589,532</u>	<u>360,828,113</u>	<u>357,521,377</u>
<b>EXPENDITURES</b>					
Instruction	253,914,564	<del>251,481,237</del> <u>259,759,521</u>	257,899,444	<u>258,531,540</u>	<u>241,051,013</u>
Instruction – Related Services	41,076,071	<del>40,191,515</del> <u>41,047</u>	40,321,574	<u>42,520,611</u>	<u>38,561,973</u>
Pupil Services	32,171,127	<del>31,775,118</del> <u>32,402,047</u>	32,106,820	<u>32,930,427</u>	<u>27,987,062</u>
General Administration	10,831,070	<del>2,412,191</del> <u>12,391,804</u>	1,811,590	<u>2,586,016</u>	<u>2,145,284</u>
Plant Services	38,472,811	<del>035,463</del> <u>621</u>	0	<u>34,926,587</u>	<u>33,832,199</u>
Facilities Acquisition & Construction	--	<del>02,810</del>	0	<u>0</u>	<u>0</u>
Ancillary Services	1,173,503	<del>12,331,954</del> <u>2,467,939</u>	11,340,991	<u>13,121,090</u>	<u>14,900,307</u>
Other Outgo	--	<del>35,461,019</del> <u>335,175</u>	37,173,893	<u>312,880</u>	<u>56,909</u>
Enterprise Services	--	<del>335,175</del>	56,909	==	==
Debt Service	--	--	--	==	==
Total Expenditures	<u>377,639,146</u>	<u>373,988,2093</u> <u>83,902,964</u>	<u>380,711,222</u>	<u>384,929,154</u>	<u>358,534,568</u>
Excess of Revenues over (Under) Expenditures	971,065	<u>22,994,928</u> <u>2,208,594</u>	(21,121,689)	<u>(24,101,041)</u>	<u>(1,013,191)</u>
<b>OTHER FINANCING SOURCES</b>					
Operating Transfers In	--	<u>259,154</u>	--	==	==
Operating Transfers Out	<u>(133,803)</u>	<u>(239,390)</u>	<u>(45,957)</u>	<u>58,792</u>	<u>48,739</u>
Total Other sources (uses)	<u>(133,803)</u>	<u>19,764</u>	<u>(45,957)</u>	<u>(58,792)</u>	<u>(48,739)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	837,262	<u>23,014,69316</u> <u>089,979</u>	(21,167,646)	<u>(24,159,833)</u>	<u>(1,061,930)</u>
Fund Balance (Deficit), July 1	\$ 20,439,136	\$ 20,439,136	\$ 43,453,828	\$ <u>43,453,828</u>	\$ <u>19,293,994</u>
Fund Balance (Deficit), June 30	\$ <u>21,276,398</u>	\$ <u>43,453,82836</u> <u>529,115</u>	\$ <u>22,286,182</u>	\$ <u>19,293,994</u>	\$ <u>18,232,064</u>

Source: The District.

As a result of significant State budget shortfalls, State revenues apportioned to the District for Fiscal Years 2008-09 and Year 2009-10 were reduced by more than \$\_\_\_\_\_ \*40 million\* from Fiscal Year 2007-08 levels. The District has responded to the State imposed budgetary reductions through various efforts, including reduced budget allocations for school sites, departments and several programs and has modified procedures to increase efficiencies. Positions for certificated, classified and management were reduced significantly, primarily through attrition and retirements. In addition, both bargaining units and District management elected to take a two day furlough and to forego cost of living adjustments. The District continues to maintain a hiring freeze and limit spending in certain areas. Part of the State reductions have been offset by increased federal revenues from federal stimulus program. These federal stimulus revenues are one time moneys and, unless the federal government expands the stimulus program, will not be available after Fiscal Year 2009-10. 2008-09 levels. The District is projecting that it will receive approximately the same amount of funding from the State in Fiscal Year 2010-11 as it received in Fiscal Year 2009-10. A portion of the loss in State revenue was offset by an increase in federal funding in the last two fiscal years under the American Recovery and Reinvestment Act. This additional funding is not expected to continue in Fiscal Year 2010-11.

As a result of reduced State funding, the District has reduced budgeted's General Fund expenditures in Fiscal Year 2010-11 by approximately \$262009-10 exceeded its General Fund revenues by approximately \$24.1 million. Given the ongoing reduced funding from the State and the expected decline in federal revenues, the District's 2010-11 Budget reduces General Fund expenditures by approximately \$27 million from Fiscal Year 2009-10. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA--State Budget Measures."The 2010-11 Budget provides for General Fund expenditures to exceed revenues by approximately \$1 million. The District is required by law to maintain a General Fund ending balance equal to 32% of its annual General Fund expenditures. As set forth in the table above, the District's 2010-11 Budget projects an ending fund balance of over 32% of annual General Fund expenditures. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA--State Budget Measures."

The District's financial condition is closely linked to the finances of the State, which has an ongoing structural budget deficit. Future budget decisions by the State could have an adverse impact on the District's financial condition. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA."

**Additional District Funds**

In addition to the General Fund, the District maintains seven other funds to finance various types of District expenditures. The unaudited actual ending balances in these seven funds for the fiscal year ended June 30, 20092010 and the projected ending fund balances for the fiscal year ending June 30, 2011 and for the month ending \_\_\_\_\_, 2011 are set forth in the table below:

**CORONA-NORCO UNIFIED SCHOOL DISTRICT  
OTHER AVAILABLE CASH BALANCES**

<i>Fund</i>	<i>June 30, 2010 Unaudited Ending Balance</i>	<i>June 30, 2011 Projected Ending Balance</i>	<i>_____, 2011 Projected Ending Balance</i>
Adult Education	<u>\$ 2,092,082</u>	<u>\$ 1,161,282</u>	
Child Nutrition	<u>2,161,914</u>	<u>2,161,914</u>	
Deferred Maintenance	<u>13,161,798</u>	<u>7,496,798</u>	
Capital Facilities	<u>8,897,441</u>	<u>1,404,342</u>	
School Building Fund	<u>4,512,393</u>	<u>6,025,932</u>	
Special Reserve	<u>283,665</u>	<u>241</u>	
Self Insurance	<u>10,240,194</u>	<u>7,638,664</u>	

\* Preliminary, subject to change.

Total \$ 41,349,487 \$ 25,889,173

Source: The District.

### Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the State of California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective in 2001-02 for the District, as well as any other governmental agency with annual revenues of \$100 million or more. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

### District Reports and Certification

State law requires each school district to certify at two points during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, the first for the period ending October 31 and the second for a period ending January 31. Such certifications and a report shall be filed with the County Superintendent of Schools within forty-five days after the close of the period being reported and, to the extent required, to the State Controller and the Superintendent of Public Instruction.

The District has filed positive certifications with the County Superintendent of Schools for each reporting period for which a certificate has been filed and the County Superintendent of Schools has not made any qualified or negative determination with respect to any such certifications.

Copies of the District's reports and certifications, as well as audited financial statements, may be obtained upon request from the District's Business Office at 2820 Clark Avenue, Norco, California 92860, (Tel. 951-736-5020).

### Existing Indebtedness

**Long-Term Debt.** A schedule of changes of the District in long-term debt for the year ended June 30, 2009, is shown below: On December 1, 2009, the District issued \$99,997,927.15 of general obligation bonds. No additional Certificates of Participation have been issued by the District since June 30, 2009.

<i>Long Term Debt</i>	<i>Balance July 1, 2008</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2009</i>
General Obligation Bonds	\$ 137,189,417	\$ 55,763,658	\$ 7,790,000	\$ 185,163,075
Certificates of Participation	103,985,000	0	75,950,000	28,035,000
Total	<u>\$ 241,174,417</u>	<u>\$ 55,763,658</u>	<u>\$ 83,740,000</u>	<u>\$ 213,198,075</u>

Source: The District.

**Certificates of Participation.** The District has previously issued one series of certificates of participation in 2001. The certificates of participation evidence fractional interests in lease payments to be made by the District, as lessee under a lease agreement with the Corona-Norco Unified School District Land Acquisition Corporation, as lessor. As of June 30, 2009, the 2001 certificates of participation were outstanding

in the amount of \$28,035,000. See Note 8 to Appendix D—"DISTRICT'S 2008-09 AUDITED FINANCIAL STATEMENTS" herein.

The following table summarizes the total annual lease payment requirements of the District for all outstanding Certificates of Participation:

Year Ending (June 30)	2001 Certificates
2011	\$ 2,378,181
2012	2,384,407
2013	2,385,806
2014-2018	11,890,331
2019-2023	11,905,606
2024-2028	9,371,931
2029	<u>1,172,144</u>
Total	\$41,488,406

*Source: The District.*

**General Obligation Bonds.** In 1998, the District identified a capital facilities need to alleviate school district overcrowding, upgrade classroom technology and perform necessary repairs to school facilities. Voters approved a \$65 million general obligation bond authorization in April 1998 to fund required capital improvements (the "Authorization"). The District has issued four series of general obligation bonds and a series of refunding general obligation bonds through the Authorization. On November 7, 2006, the voters of the District approved a \$250 million general obligation bond authorization for purpose of building new classrooms, elementary, intermediate and high schools, increasing kindergarten classrooms, adding school libraries, creating reading, science and computer labs and upgrading security, sprinklers, smoke detectors and fire doors. The District has issued \$228,427,121.65 of general obligation bonds through the Authorization, which includes a first series of bonds issued in 2007 in the amount of \$75,000,000, a second series of bonds issued on February 4, 2009 in the amount of \$53,429,199.50 and a third series of bonds issued on December 17, 2009 in the principal amount of \$99,997,922.15. As of June 30, 2009, the District had General Obligation Bonds outstanding in the amount of \$185,163,075. See Note 8 to Appendix D—"DISTRICT'S 2008-09 AUDITED FINANCIAL STATEMENTS" herein.

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**Community Facilities District Bonds**

As of June 30, 2010, the District had formed various community facilities districts (“CFDs”), which had a combined \$ 168,249,697 of debt outstanding. The debt of the CFDs is payable from special taxes levied on the parcels within those CFDs and not from general revenues of the District. A schedule of changes in the debt of the CFDs for the year ended June 30, 2010 is as set forth in the table below. No additional debt of the CFDs has been issued since June 30, 2010.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT  
CFD Debt<sup>(1)</sup>**

<i>CFD Debt</i>	<i>Balance July 1, 2009</i>	<i>Deductions</i>	<i>Additions</i>	<i>Balance June 30, 2010</i>
<b>District CFD Special Tax Bonds:</b>				
CFD 6 Series 1996A	<u>\$ 1,505,000</u>	<u>\$ 345,000</u>		<u>\$ 1,160,000</u>
CFD 88-1 Series 1996A	<u>2,795,000</u>	<u>405,000</u>		<u>2,390,000</u>
CFD 98-1 Series 2002	<u>22,375,000</u>	<u>260,000</u>		<u>22,115,000</u>
CFD 98-1 Series 2003	<u>25,950,000</u>	<u>270,000</u>		<u>25,680,000</u>
CFD 02-1 Series 2005B				
CFD 05-1 Series 2006B				
<b>CFD 00-1 Series 2003 Sierra Peak</b>	<u>2,495,000</u>	<u>50,000</u>		<u>2,445,000</u>
<b>CFD 01-2B Series 2003</b>	<u>3,515,000</u>	<u>70,000</u>		<u>3,445,000</u>
<b>CFD 03-1 Series 2004</b>	<u>13,040,000</u>	<u>290,000</u>		<u>12,750,000</u>
<b>CFD 04-1 Series 2006</b>	<u>13,390,000</u>	<u>240,000</u>		<u>13,150,000</u>
CFD 06-1 Series 2007	<u>5,815,000</u>	<u>85,000</u>		<u>5,530,000</u>
Total	<u>\$ 90,680,000</u>	<u>\$ 2,015,000</u>		<u>\$ 88,665,000</u>
<b>Public Financing Authority CFD Special Tax Bonds:</b>				
<b>CFD 01-1A Series 2002A</b>	<u>\$ 3,860,000</u>	<u>\$ 75,000</u>		<u>\$ 3,585,000</u>
<b>CFD 01-1B Series 2002A</b>	<u>6,610,000</u>	<u>140,000</u>		<u>6,470,000</u>
<b>CFD 01-2A Series 2004A</b>	<u>3,990,000</u>	<u>75,004</u>		<u>3,915,000</u>
<b>CFD 03-3A Series 2004A</b>	<u>2,705,000</u>	<u>50,000</u>		<u>2,655,000</u>
<b>CFD 03-3B Series 2004A</b>	<u>2,920,000</u>	<u>55,000</u>		<u>2,865,000</u>
<b>CFD 03-4 Series 2004A</b>	<u>2,365,000</u>	<u>45,000</u>		<u>2,320,000</u>
<b>CFD 01-2C Series 2005A</b>	<u>8,200,000</u>	<u>155,000</u>		<u>8,045,000</u>
<b>CFD 03-2 Series 2005A</b>	<u>2,565,000</u>	<u>50,000</u>		<u>2,515,000</u>
<b>CFD 03-5 Series 2005A</b>	<u>2,720,000</u>	<u>50,000</u>		<u>2,670,000</u>
CFD 97-1 Series 2005B	<u>1,441,557</u>	<u>51,824</u>		<u>1,389,733</u>
CFD 99-1 Series 2005B	<u>3,494,669</u>	<u>101,546</u>		<u>3,393,123</u>
CFD 99-2, Improvement Area A Series 2005B	<u>2,755,406</u>	<u>72,499</u>		<u>2,682,907</u>
CFD 99-2, Improvement Area B Series 2005B	<u>2,072,955</u>	<u>58,928</u>		<u>2,014,027</u>
CFD 99-2, Improvement Area C Series 2005B	<u>2,448,427</u>	<u>70,880</u>		<u>2,377,547</u>
CFD 00-1 Series 2003				
CFD 01-1A Series 2002A				
CFD 01-1B Series 2002A				
CFD 01-2A Series 2004				
CFD 01-2B Series 2003				
CFD 01-2C Series 2005				
<b>CFD 02-1 Series 2005B</b>	<u>4,143,401</u>	<u>45,579</u>		<u>4,097,822</u>
CFD 02-2A Series 2003 2005B	<u>3,648,000</u>	<u>78,319</u>		<u>3,569,681</u>
CFD 02-2B Series 2003 2005B	<u>54,617,052</u>	<u>97,195</u>		<u>54,519,857</u>
CFD 03-1 Series 2003				
CFD 03-2 Series 2005				
CFD 03-3A Series 2004				
CFD 03-3B Series 2004				
CFD 03-4 Series 2004				
CFD 03-5 Series 2005				
CFD 04-1 Series 2006				
CFD 04-2, Improvement Area 1 Series 2006A	<u>2,615,000</u>	<u>45,000</u>		<u>2,570,000</u>
CFD 04-2, Improvement Area 2 Series 2006A	<u>3,195,000</u>	<u>55,000</u>		<u>3,140,000</u>
CFD 04-2, Improvement Area 3 Series	<u>2,160,000</u>	<u>40,000</u>		<u>2,120,000</u>
2006AB				
<b>CFD 05-1 Series 2006B</b>	<u>12,905,000</u>	<u>235,000</u>		<u>12,670,000</u>
Total	<u>\$ 81,231,467</u>	<u>\$ 1,646,770</u>		<u>\$ 79,584,697</u>

Total

\$ 171,911,467

\$ 3,661,770

\$ 168,249,697

(1) Unaudited.

Source: The District.

### Retirement System

**STRS and PERS.** The District participates in the State of California Teachers' Retirement System ("STRS") which provides benefits to full-time certificated personnel. The District also participates in the State of California Public Employees Retirement System ("PERS") which provides benefits to full-time classified personnel and part-time employees who are employed more than 1,000 hours during the year.

The District was required to contribute to STRS from its General Fund a total of \$ 17,343,427 during the fiscal year ended June 30, 2010. The District made a PERS contribution during fiscal year ended June 30, 2010 of \$ 6,702,797 from its General Fund. For fiscal year 2010-11, the District has budgeted a STRS contribution of \$ 16,277,283 and a PERS contribution of \$ 6,363,911 from its General Fund.

Both STRS and PERS have substantial unfunded liabilities based on current actuarial assumptions, which could result in higher contribution rates for the District in the future. The substantial declines in the stock and bond markets could further increase the unfunded liabilities and result in an increase in contribution rates in the future.

### Other Postemployment Benefits

The District provides post-employment health care benefits, in accordance with the District's employment contracts, to all employees who retire from the District on or after attaining the age of 50 with at least 10 years of service. As of June 30, 2010, 286 retired employees met those eligibility requirements. The District contributes a maximum of \$3,800 per year of the amount of premiums incurred by each retiree and his or her dependents and the retiree contributes the remainder. A retiree will receive these health care benefits to the end of the school year in which the retiree turns 65. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as retirees report claims paid. During fiscal year 2009-10, the District contributed \$ 1,260,049 to the plan. In July 2009, the District received a report from an outside consultant that estimated the District's unfunded actuarial accrued liability for post-employment retirement benefits as of June 2009 to be approximately \$14,858,902 based on certain assumptions. The District is required to conduct a report on its unfunded actuarial liability every two years.

Beginning with its fiscal year ending June 30, 2009, the District is required to comply with the Governmental Accounting Standards Board ("GASB") Statement 45 relating to other post-employment benefits ("OPEB"), which will require the District to recognize the expenses and related liabilities and assets for any OPEB provided by the District in its government-wide financial statements of net assets and activities. The District's annual required contribution for the post-employment health benefits plan calculated in accordance with the parameters of GASB Statement 45 was \$2,654,042 as of June 30, 2009. The annual required contribution 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 accrued liabilities over a period not to exceed 30 years.

In fiscal year 2007-08, the District adopted a supplemental retirement plan as part of an early retirement offer to certain employees. The plan provides annuities to be paid to eligible employees over a five-year period. Annuities have been purchased for 83 employees participating in the plan. As of June 30, 2009, the balance of the District's obligation for this supplemental retirement plan was \$4,462,922.

## **State Assistance**

The District's largest revenue source is the State of California. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA" for a discussion of recent State budgets and State funding of school districts.

## **Statement of Direct and Overlapping Debt**

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and as of July 6, 2010. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 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 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**  
**Corona-Norco Unified School District**  
**As of July 6, 2010**

2009-10 Assessed Valuation: \$26,370,612,376  
 Redevelopment Incremental Valuation: 4,733,842,898  
 Adjusted Assessed Valuation: \$21,636,769,478

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/10</u>
Metropolitan Water District	1.184%	\$ 3,128,365
Riverside City Community College District	36.771	49,529,106
<b>Corona-Norco Unified School District</b>	<b>100.</b>	<b>264,166,512<sup>(1)(2)</sup></b>
Corona-Norco Unified School District Community Facilities Districts	100.	168,194,697
City of Riverside	0.002	346
City of Corona Community Facilities Districts	100.	140,580,000
City of Corona 1915 Act Bonds	100.	6,360,000
City of Norco Community Facilities Districts	79.907-100.	39,732,599
Special District Community Facilities Districts	100.	294,849,803
Riverside County Community Facilities Districts	100.	<u>22,740,000</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$989,281,428</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	14.253%	\$104,963,049
Riverside County Pension Obligations	14.253	53,463,003
Riverside County Board of Education Certificates of Participation	14.253	1,031,917
<b>Corona-Norco Unified School District General Fund Obligations</b>	<b>100.</b>	<b>27,040,000</b>
City of Corona General Fund Obligations	93.898	66,752,088
City of Riverside General Fund and Pension Obligations	0.002	<u>7,031</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$253,257,088</b>
Less: Riverside County self-supporting obligations		2,155,408
City of Corona supported by wastewater revenues		<u>2,990,651</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$248,111,029</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$1,242,538,516<sup>(3)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$1,237,392,457</b>

- (1) Excludes issue to be sold.
- (2) Excludes accreted interest of capital appreciation bonds.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:

**Direct Debt (\$264,166,512) 1.00%**  
 Total Direct and Overlapping Tax and Assessment Debt ..... 3.753,70%

Ratios to Adjusted Assessed Valuation:

**Combined Direct Debt (\$291,206,512) 1.35%**  
 Gross Combined Total Debt ..... 5.74%  
 Net Combined Total Debt ..... 5.72%

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

<sup>(1)</sup> Based on 2008-09 ratios.  
<sup>(2)</sup> Excludes issue to be sold. Excludes accreted interest of capital appreciation bonds.  
<sup>(3)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## COUNTY INVESTMENT POOL

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

~~It is expected that amounts held under the Resolution will be invested in the Pooled Investment Fund of the Treasurer Tax Collector of the County of Riverside.~~

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of May 30, 2010, the portfolio assets comprising the PIF had a market value of \$5,809,312,986.

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, 2009, 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 84% of the funds on deposit in the County Treasury, while approximately 16% 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 2009 Statement of Investment Policy, (the "Policy Statement") 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 full text of the Policy Statement is set forth in Appendix E hereto.

The structure of the Pooled Investment Fund as of \_\_\_\_\_, 2010, were as follows May 27, 2010  
was:

<u>Commercial Paper</u>	<u>\$ 159,981,667</u>	<u>2.70%</u>
Federal Agency <u>Securities</u>	<u>4,391,664,232</u>	<u>75.60</u>
Cash Equivalent		
U.S. Treasury <u>Bonds</u> <u>Notes</u>	<u>771,212,314</u>	<u>13.28</u>
<u>Cash Equivalents and Money Market</u> <u>Funds</u>	<u>369,054,054</u>	<u>6.35</u>
<u>Local Agency Obligations</u> <sup>(1)</sup>	<u>15,660,000</u>	<u>0.27</u>
<u>Municipal Bonds</u>	<u>101,740,719</u>	<u>1.75</u>
Medium Term Notes <sup>(1<sup>2</sup>)</sup>	<u>—</u>	<u>—</u>
<u>Total</u>	<u>\$ 5,809,312,986</u>	<u>100.00%</u>
Municipal Notes		
Local Agency Obligations <sup>(2)</sup>		
<u>Weighted</u> <u>Average Yield</u>	<u>0.89%</u>	
<u>Weighted Average Maturity</u>	<u>0.98 years</u>	<u>—100%</u>
Weighted Average Yield _____%		
	Weighted Average Maturity _____ years	

- (1) ~~Most Medium Term Notes are FDIC insured.~~ <sup>(2)</sup>—Represents Local Agency Obligations issued by the Riverside District Court Count Financing Corporation, the County; and the Redevelopment Agency. Not rated; all other investments are government securities or rated investments.
- (2) Most Medium Term Notes are FDIC insured.

As of \_\_\_\_\_, May 27, 2010, the market value of the PIF was \_\_\_\_\_ 100.15% 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, SectionsSection 53844 requires that the investment income be credited to the specific fund infrom which the investment was made.

The Board of Supervisors of the County has established an “Investment Oversight Committee (IOC)” 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~~The purpose of the IOC 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~~ of Supervisors of the County. The committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee Oversight Committee. The committee Committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures. The IOC is currently comprised of the following members: the County Auditor-Controller, Finance Director, Superintendent of Schools, a school district representative and a public member at large.

The County has obtained a rating on the PIF of “AAA/V1+” from Fitch IBCA, and a “AAA/MR1” rating from Moody’s Investors Service and “AAA/V1+” rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Neither the District nor the Underwriter has made anyan independent investigation of the investments in the County PIF orand has made anyno assessment of the current County Investment

**Policy. The value of the various investments in the County PIF 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 County PIF will not vary significantly from the values described herein.**

### TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Notes is not included as an adjustment in the calculation of alternative minimum taxable income.

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

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

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

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

Although Bond Counsel has rendered an opinion that interest on the Notes is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest with respect to the Notes may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding

any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Notes.

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

### **LEGAL OPINION**

Bond Counsel will render a final approving opinion with respect to the Notes substantially in the form attached as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Notes.

The statements of law and legal conclusions set forth in this Official Statement have not been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization of the Notes. Bond Counsel's opinion will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Notes. Certain matters will be passed upon for the District by District Counsel, Parker & Covert, Tustin, California.

### **LEGALITY FOR INVESTMENT IN CALIFORNIA**

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

### **RATING**

The District received the rating of "SP1+     " on the Notes from Standard & Poor's Ratings Service. Certain information was supplied by the District to the rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. The District undertakes no responsibility either to bring to the attention of the holders of the Notes any downward revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

### **LITIGATION**

No litigation is pending or threatened concerning the validity of the Notes, and a Certificate of the District and an opinion of District Counsel to that effect will be furnished to the Underwriter at the time of the original delivery of the Notes. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other pledged revenues or contesting the District's ability to issue and retire the Notes.

### **AVAILABILITY OF INFORMATION**

Copies of the Resolutions are available, upon written request, from the District. For further information concerning the financial condition of the District, copies of the final Fiscal Year 2008-09 budget, 2010-11 proposed budget and 2008-09 audited financial statements may be obtained from the District, as they become available. Audited financial statements for fiscal years prior to 2008-09 are currently available for review.



This Official Statement contains financial data taken or constructed from the official records of the District. Such data has been reviewed by an authorized representative of each District acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

### UNDERWRITING

The Notes are being purchased for reoffering by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Notes at a price of \$ \_\_\_\_\_ (representing the aggregate principal amount of the Notes of \$ \_\_\_\_\_\*, plus a net original issue premium of \$ \_\_\_\_\_, less an Underwriter's discount of \$ \_\_\_\_\_ and less cost of issuance to be paid by the Underwriter of \$ \_\_\_\_\_) pursuant to the Note Purchase Agreement dated October 14, 2009 (the "Note Purchase Agreement"). The Note Purchase Agreement provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement.

The Underwriter may offer and sell Notes to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

### CONTINUING DISCLOSURE

The District will covenant for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the notices of material events is contained in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertaking with regard to the Rule to provide annual reports or notices of material events, except that during 2008 the District did not file all notices of rating changes resulting from downgrades to various municipal bond insurers insuring certain of its obligations. The District is currently in compliance with all prior continuing disclosure obligations.

### MISCELLANEOUS

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

### CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

\* Preliminary, subject to change

## APPENDIX A

### REGIONAL AND COUNTY INFORMATION COUNTY OF RIVERSIDE

*The Notes are not obligations of the County of Riverside (the "County") and do not represent a lien or charge against any funds or property of County or of any city. The following information is provided only to give prospective investors an overview of the general economic condition of the County and the State of California (the "State").*

#### **General – Corona**

Corona is located in Western Riverside County 44 miles east of Los Angeles along State Route 91 and U.S. Interstate 15. Corona is approximately 34.61 square miles in area.

Incorporated in 1896, Corona operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year terms. The City Council elects one of the Council members as Mayor.

Corona provides police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, refuse collection, land use planning, and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation.

#### **General – Norco**

Norco is located directly north of Corona in Western Riverside County 44 miles east of Los Angeles along U.S. Interstate 15. Norco is approximately 17 square miles in area. Norco is an animal-keeping and equestrian-oriented community.

Incorporated in 1964, Norco operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year term. The City Council elects one of the Council members as Mayor.

Norco provides fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, refuse collection, land use planning, and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation. Law enforcement services are provided by the Riverside County Sheriff's Department.

**Population**

The following table offers population figures for Corona, Norco, the County and the State for January 1, 2006 through January 1, 2010.

<i>Area</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
City of Corona	145,265 <u>145,2</u> 95	145,847 <u>145,8</u> 48	146,698 <u>146,6</u> 20	148,597 <u>148,7</u> 70	<u>150,416</u>
City of Norco	27,355 <u>27,363</u>	27,329 <u>27,333</u>	27,143 <u>27,134</u>	27,160 <u>27,189</u>	<u>27,370</u>
County of Riverside	1,962,014 <u>1,9</u> 62,198	2,030,315 <u>2,0</u> 30,054	2,078,601 <u>2,0</u> 77,183	2,107,653 <u>2,1</u> 09,882	<u>2,139,535</u>
State of California	37,086,191 <u>37</u> <u>087,005</u>	37,472,074 <u>37</u> <u>463,609</u>	37,883,992 <u>37</u> <u>871,509</u>	38,292,687 <u>38</u> <u>255,508</u>	<u>38,648,090</u>

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-~~2009~~2010 with 2000 Benchmark, Sacramento, California, May ~~2009~~2010.

## Construction Activity

The following table shows building permit valuations and new housing units in Corona for 2005 through 2009.

### CITY OF CORONA Building Permit Valuation and New Housing Units (Dollar Volume in \$1,000's)

	2005	2006	2007	2008	2009
<b>Residential</b>					
Single Family	\$ 162,785.4	\$ <u>77,372,983.32</u> 2.6	\$ 24,622.6	\$ 1,797.7	\$ <u>6,816.1</u>
Multi-Family	0.0	<u>28,178.628,178</u> 7	5,673.8	28,692.5	<u>7,589.9</u>
Alteration/Additions	6,001.1	<u>5,723.05,723.2</u>	4,945.3	3,100.3	<u>4,374.6</u>
Total	<u>\$ 168,786.5</u>	<u>\$ 111,274,8117,</u> 224.4	<u>\$ 35,241.7</u>	<u>\$ 33,590.5</u>	<u>\$ 18,780.5</u>
<b>Non-Residential</b>					
New Commercial	\$ 31,557.6	\$ <u>45,127.645,12</u> 7.7	\$ <u>48,596.448,59</u> 6.5	\$ 74,256.1	\$ <u>1,599.2</u>
New Industry	4,776.6	<u>11,519.411,519</u> 5	2,763.8	6,450.6	<u>0</u>
Other <sup>(1)</sup>	33,329.0	<u>29,318.229,318</u> 3	10,639.6	7,545.3	<u>2,621.6</u>
Alteration/Additions	<u>36,041.0</u>	<u>32,692.932,69</u> 3.0	<u>31,885.7</u>	<u>20,786.7</u>	<u>14,705.1</u>
Total	<u>\$ 105,704.3</u> <sup>(2)</sup>	<u>\$ 118,658.3118,</u> 658.4	<u>\$ 93,885.5</u>	<u>\$ 109,038.7</u>	<u>\$ 18,925.9</u>
<b>Total All Industry</b>	<u>\$ 274,490.8</u> <sup>(2)</sup>	<u>\$ 229,933.1235,</u> 882.8	<u>\$ 129,127.2</u>	<u>\$ 142,629.1</u>	<u>\$ 37,706.4</u>
<b>New Housing Units</b>					
Single Family Units	588	<u>319333</u>	76	6	<u>33</u>
Multi-Family Units	<u>0</u>	<u>220</u>	<u>40</u>	<u>359</u>	<u>58</u>
Total	<u>588</u>	<u>539553</u>	<u>116</u>	<u>365</u>	<u>91</u>

<sup>(1)</sup> Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

<sup>(2)</sup> May not add up due to rounding.

Source: Construction Industry Research Board.

The following table shows permit valuations and new housing units in Norco for 2005 through 2009.

**CITY OF NORCO**  
**Building Permit Valuation and New Housing Units**  
**(Dollar Volume in \$1,000's)**

	2005	2006	2007	2008	2009
<b>Residential</b>					
Single Family	\$ 32,398.0	\$ 1,342.2	\$ 1,131.5	\$ 1,937.1	<u>\$ 0</u>
Multi-Family	0.0	0.0	0.0	0.0	<u>0</u>
Alteration/Additions	<u>2,947.6</u>	<u>4,169.6</u>	<u>840.1</u>	<u>3,089.6</u>	<u>1,071.1</u>
Total	<u>\$ 35,345.6</u>	<u>\$ 5,511.9</u>	<u>\$ 1,971.7</u>	<u>\$ 5,026.7</u>	<u>\$ 1,071.1</u>
<b>Non-Residential</b>					
New Commercial	\$ 2,852.4	\$ 13,925.6	\$ 0.0	\$ 2,608.6	<u>\$ 0</u>
New Industry	0.0	8,000.0	0.0	3,154.2	<u>0</u>
Other <sup>(1)</sup>	5,173.8	6,207.0	4,233.4	3,010.9	<u>4,735.4</u>
Alteration/Additions	<u>3,261.6</u>	<u>2,100.5</u>	<u>5,830.2</u>	<u>3,570.8</u>	<u>1,574.4</u>
Total	<u>\$ 11,287.8</u>	<u>\$ 30,233.1</u>	<u>\$ 10,063.5</u>	<u>\$ 12,344.4</u>	<u>\$ 6,309.8</u>
<b>Total All Industry</b>	<u>\$ 46,633.3<sup>(2)</sup></u>	<u>\$ 35,745.0</u>	<u>\$ 12,035.3</u>	<u>\$ 17,371.1</u>	<u>\$ 7,380.9</u>
<b>New Housing Units</b>					
Single Family Units	99	8	4	5	<u>0</u>
Multi-Family Units	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>99</u>	<u>8</u>	<u>4</u>	<u>5</u>	<u>0</u>

<sup>(1)</sup> Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

<sup>(2)</sup> May not add up due to rounding.

Source: Construction Industry Research Board.