THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 of the Government Code and under the Bond Resolution.

Description of the Bonds

General. The Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds, each as described below. The Bonds mature in the years and in the amounts and bear or accrete interest at the rates per annum all as set forth on the inside cover page hereof. Interest shall be computed based on a 360-day year of twelve 30-day months.

Current Interest Bonds. The Current Interest Bonds shall be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. Interest on the Current Interest Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2014 (each, an **"Interest Payment Date"**). Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (the **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the first Record Date (being January 15, 2014), in which event it will bear interest from the Closing Date identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Current Interest Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Current Interest Bonds.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the date of delivery, and accrete interest from such date. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value (defined below) or any integral multiple thereof (except that one Capital Appreciation Bond may be issued in a denomination such that the Maturity Value of which is not an integral multiple of $5,000). The Capital Appreciation Bonds are payable at maturity or upon earlier redemption, according to the amounts set forth in the accreted value table. See "APPENDIX H - TABLE OF ACCRETED VALUES."

The Capital Appreciation Bonds do not bear current interest, but accrete in value, compounded on each February 1 and August 1, commencing on February 1, 2014, to maturity or earlier redemption (if any), from the original principal amounts (the **"Denominational Amount")** on the date of delivery thereof to the stated value at maturity thereof (the **"Maturity Value"**). See "APPENDIX H – Table of Accreted Values."

The interest portion of the Maturity Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accrued and coming due on such date. The Maturity Value of any Capital Appreciation Bond at maturity shall be payable by the Paying

Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Capital Appreciation Bonds.

See the maturity schedules on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" herein.

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of accreted value on the Bonds will be paid by U.S. Bank National Association, San Francisco, California (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See "APPENDIX F – Book-Entry Only System."

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption

Current Interest Bonds. The Current Interest Bonds maturing on or before August 1, 2023 are not subject to redemption prior to maturity. The Current Interest Bonds maturing on or after August 1, 2024 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2023, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, plus accrued interest thereon to the date of redemption.

Capital Appreciation Bonds. The Capital Appreciation Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20___, or on any date thereafter, at a price equal to 100% of the Accreted Value thereof, without premium.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond will be deemed to consist of individual Bonds of $5,000 portions (principal amount or Maturity Value, as applicable), which may be separately redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Municipal Securities Rulemaking Board and to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the Bonds to be redeemed, and will require that any redeemed Bonds be surrendered at the Principal Office of the Paying Agent for redemption, giving notice that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of or accreted value of (and premium, if any) the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue or accrete thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for giving the original notice of redemption shall not apply to any notice of rescission thereof.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix F is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the "**Registration Books**"), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal, accreted value or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount or accreted value of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in such Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or accreted value or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or accreted value or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or accreted value or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As used in the foregoing provisions, the term **"Federal Securities"** means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

Bonds Debt Service. The following table shows the annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

ALVORD UNIFIED SCHOOL DISTRICT
Debt Service Schedule
General Obligation Bonds, 2012 Election, Series A

	Current Interest Bonds		Capital Appreciation Bonds		
Date	**Principal**	**Current Interest**	**Initial Principal**	**Accreted Interest**	**Annual Total Debt Service**
8/1/14					
8/1/15					
8/1/16					
8/1/17					
8/1/18					
8/1/19					
8/1/20					
8/1/21					
8/1/22					
8/1/23					
8/1/24					
8/1/25					
8/1/26					
8/1/27					
8/1/28					
8/1/29					
8/1/30					
8/1/31					
8/1/32					
8/1/33					
8/1/34					
8/1/35					
8/1/36					
8/1/37					
8/1/38					
8/1/39					
8/1/40					
8/1/41					
8/1/42					
8/1/43					
Total					

Combined General Obligation Bonds Debt Service. The following table shows the combined debt service schedule of outstanding general obligation bonds of the District, which includes the outstanding 2005 Refunding Bonds, the Series A Bonds and Series B Bonds issued pursuant to the 2007 Authorization, together with the Bonds, assuming no optional redemptions. See Appendix B – "District General and Financial Information – Long-Term Debt" for additional information concerning the general obligation bonds described in this paragraph.

ALVORD UNIFIED SCHOOL DISTRICT
General Obligation Bond
Combined Debt Service Schedule

Period Ending (Aug.1)	2005 Refunding Bonds	2007 Authorization Series A Bonds	2007 Authorization Series B Bonds	2013 Bonds	Total Outstanding Bonds
2014	$3,831,378.75	$3,586,865.00	--		
2015	3,833,561.25	3,696,590.00	--		
2016	3,829,907.50	3,804,790.00	$ 305,000.00		
2017	3,828,102.50	3,921,015.00	510,225.00		
2018	3,829,512.50	4,039,590.00	820,150.00		
2019	3,823,482.50	4,157,340.00	1,254,275.00		
2020	3,830,502.50	4,283,390.00	1,858,175.00		
2021	3,824,050.00	4,411,090.00	2,438,850.00		
2022	3,814,485.00	4,543,340.00	2,975,000.00		
2023	3,812,102.50	4,682,750.00	3,425,000.00		
2024	3,818,215.00	4,821,000.00	3,760,000.00		
2025	3,810,625.00	4,965,750.00	3,955,000.00		
2026	3,807,267.50	5,116,000.00	4,325,000.00		
2027	3,802,000.00	5,270,750.00	4,910,975.00		
2028	1,523,430.00	5,429,000.00	5,745,975.00		
2029	1,530,830.00	5,589,750.00	6,890,975.00		
2030	594,912.50	5,757,000.00	7,615,975.00		
2031	--	5,929,500.00	8,975,975.00		
2032	--	6,111,000.00	10,210,975.00		
2033	--	--	16,552,848.90		
2034	--	--	17,546,836.40		
2035	--	--	18,254,829.60		
2036	--	--	19,340,975.00		
2037	--	--	20,895,616.00		
2038	--	--	22,988,710.65		
2039	--	--	25,749,858.05		
2040	--	--	28,326,166.20		
2041	--	--	20,365,975.00		
2042	--	--	21,582,673.65		
2043	--	--	22,450,975.00		
2044	--	--	23,125,975.00		
2045	--	--	23,815,345.00		
2046	--	--	24,298,672.50		
	$57,144,365.00	$90,116,510.00	375,272,981.95		

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Bonds Payable from Ad Valorem Property Taxes. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis.

In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Direct and Overlapping Debt Obligations" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for each series of the Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the respective series of Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "PROPERTY TAXATION - Levies and Delinquencies" below.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish a Debt Service Fund (the **"Debt Service Fund"**) for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal and accreted value of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt of such taxes. The Debt Service Fund is pledged for the payment of the accreted value of and premium (if any) on the Bonds when and as the same become due. The District will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay accreted value of and premium (if any) on the Bonds as the same becomes due and payable.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal or accreted value of and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see Appendix B under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The following table sets forth a nine-year history of the assessed value in the District.

ALVORD UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2004-05 through 2013-14

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2004-05	$4,337,079,402	$1,027,374	$159,581,509	$4,497,688,285	--
2005-06	4,957,889,187	1,044,022	201,826,936	5,160,760,145	14.7
2006-07	5,758,106,781	993,568	191,655,254	5,950,755,603	15.3
2007-08	6,730,106,629	153,200	212,126,746	6,942,386,575	16.6
2008-09	6,813,474,664	153,200	203,830,900	7,017,458,764	1.1
2009-10	6,030,484,672	153,200	208,053,610	6,238,691,482	(11.1)
2010-11	5,886,207,083	153,200	191,475,927	6,077,836,210	(2.6)
2011-12	5,941,724,588	153,200	225,243,168	6,167,120,956	1.5
2012-13	5,953,990,549	29,200	206,384,486	6,160,404,235	(0.1)
2013-14	6,169,367,171	29,200	202,252,626	6,371,648,997	3.4

Source: California Municipal Statistics, Inc.

Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2013-14.

ALVORD UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2013-14

Non-Residential:	2013-14 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Agricultural/Rural/Undeveloped	$ 67,407,814	1.09%	698	2.63%
Commercial	962,221,189	15.60	2,416	9.09
Vacant Commercial	69,548,390	1.13	249	0.94
Industrial	200,962,732	3.26	101	0.38
Subtotal Non-Residential	$1,300,140,125	21.07%	3,464	13.03%
Residential:				
Single Family Residence	$3,920,343,201	63.55%	19,317	72.68%
Condominium/Townhouse	199,895,595	3.24	1,186	4.46
Mobile Home	36,555,439	0.59	810	3.05
2-4 Residential Units	88,194,889	1.43	443	1.67
5+ Residential Units/Apartments	583,831,715	9.46	344	1.29
Vacant Residential	40,406,207	0.65	1,015	3.82
Subtotal Residential	$4,869,227,046	78.93%	23,115	86.97%
Total	$6,169,367,171	100.00%	26,579	100.00%

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

Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2012-13.

ALVORD UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2012-13

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	19,317	$3,920,343,201	$202,948	$188,000

2013-14 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	33	0.171%	0.171%	$ 644,453	0.016%	0.016%
$25,000 - $49,999	490	2.537	2.707	19,968,254	0.509	0.526
$50,000 - $74,999	785	4.064	6.771	48,177,515	1.229	1.755
$75,000 - $99,999	704	3.644	10.416	62,343,749	1.590	3.345
$100,000 - $124,999	1,323	6.849	17.265	149,757,377	3.820	7.165
$125,000 - $149,999	2,129	11.021	28.286	293,314,794	7.482	14.647
$150,000 - $174,999	2,688	13.915	42.201	437,550,514	11.161	25.808
$175,000 - $199,999	2,772	14.350	56.551	517,776,844	13.207	39.015
$200,000 - $224,999	2,137	11.063	67.614	451,074,155	11.506	50.521
$225,000 - $249,999	1,588	8.221	75.835	375,947,932	9.590	60.111
$250,000 - $274,999	1,155	5.979	81.814	301,939,342	7.702	67.813
$275,000 - $299,999	814	4.214	86.028	233,396,024	5.953	73.766
$300,000 - $324,999	619	3.204	89.232	193,088,965	4.925	78.692
$325,000 - $349,999	483	2.500	91.733	162,155,510	4.136	82.828
$350,000 - $374,999	440	2.278	94.010	159,440,734	4.067	86.895
$375,000 - $399,999	318	1.646	95.657	122,886,885	3.135	90.029
$400,000 - $424,999	213	1.103	96.759	87,288,065	2.227	92.256
$425,000 - $449,999	212	1.097	97.857	92,450,586	2.358	94.614
$450,000 - $474,999	184	0.953	98.809	85,187,421	2.173	96.787
$475,000 - $499,999	88	0.456	99.265	42,851,743	1.093	97.880
$500,000 and greater	142	0.735	100.000	83,102,339	2.120	100.000
Total	19,317	100.000%		$3,920,343,201	100.000%	

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

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

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

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds of the District) may be paid.

Typical Tax Rate

The table below shows a five-year history of the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 9-176 (the tax rate area that represents the entire District). Tax rates for fiscal year 2013-14 are not yet available.

ALVORD UNIFIED SCHOOL DISTRICT
2012-13 Tax Rate per $100 Assessed Valuation (TRA 9-176)
Fiscal Years 2008-09 through 2012-13

	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
General	1.00000	1.00000	1.00000	1.00000	1.00000
City of Riverside	.00747	.00577	.00575	.00571	.00572
Alvord Unified School District	.10641	.12545	.11953	.11845	.11836
Riverside City Community College District	.01254	.01242	.01499	.01700	.01702
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Total	1.13072	1.14794	1.14397	1.14486	1.14460

Source: *California Municipal Statistics, Inc.*

Tax Levies and Delinquencies

The following table shows secured tax charges and delinquencies for secured property in the District with respect to the District's levy for debt service on outstanding general obligation bonds. Secured property taxes not relating to the 1% general fund apportionment (which is provided for under the County's Teeter Plan described below) which are collected by the County are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

ALVORD UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent June 30	% Delinquent June 30
2007-08	$3,494,665.85	$383,874.69	10.98%
2008-09	7,145,979.18	519,866.29	7.27
2009-10	7,446,252.39	305,593.86	4.10
2010-11	6,901,778.45	217,928.46	3.16
2011-12	6,873,696.03	138,970.30	2.02

(1) General obligation bond debt service levy only.
Source: *California Municipal Statistics, Inc.*

For the District's share of the 1% general fund apportionment, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of such secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies for the 1% general fund apportionment if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies.

Because the County does not participate in the Teeter Plan with respect to tax levies for debt service, secured property taxes actually collected for such purpose are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when such secured property taxes are actually collected. As a consequence, the District's receipt of taxes levied for its general obligation bonds, including the Bonds, is subject to delinquencies.

Top 20 Property Owners

The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2013-14 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater the amount of tax collections that are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

ALVORD UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total (1)
1.	Rohr Inc.	Industrial	$108,702,886	1.76%
2.	JSP Corona Pointe	Apartments	77,449,606	1.26
3.	EQR Fankey 2004 Ltd.	Apartments	32,560,127	0.53
4.	SDCO Hills of Corona Inc.	Apartments	32,526,462	0.53
5.	Stremicks Heritage Foods LLC	Industrial	32,052,692	0.52
6.	Wal Mart Real Estate Business Trust	Commercial	31,067,726	0.50
7.	Grae La Sierra	Commercial	30,630,725	0.50
8.	EQR S&T	Apartments	29,230,007	0.47
9.	Corona Hills Marketplace	Commercial	28,000,000	0.45
10.	Davenport Riverwalk Partners	Commercial	27,686,880	0.45
11.	HBC Corona Summit	Commercial	27,108,824	0.44
12.	Riverside Waterstone Owner	Apartments	18,571,959	0.30
13.	Peppertree Place Apartments	Apartments	17,499,107	0.28
14.	Country Side Center Corona	Commercial	16,436,842	0.27
15.	Realty Income Corp.	Commercial	15,217,509	0.25
16.	3688 Nye Avenue	Medical Buildings	15,000,000	0.24
17.	Biltmore Riverside I	Commercial	14,373,919	0.23
18.	Aaenesson Stonewood Apartments	Apartments	14,227,943	0.23
19.	Sunstone Place	Apartments	13,706,000	0.22
20.	Gildred Building Co.	Commercial	13,549,049	0.22
			$595,598,263	9.65%

(1) 2012-13 local secured assessed valuation: $6,169,367,171
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated September 1, 2013, for debt issued on or before September 1 2013. 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.

ALVORD UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated As of September 1, 2013

2013-14 Assessed Valuation:$6,371,648,997

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable(1)	Debt 9/1/13
Metropolitan Water District	0.293%	$ 483,699
Riverside City Community College District	8.198	18,669,270
Alvord Unified School District	**100.**	**202,035,954**(2)
City of Riverside	19.383	2,770,800
City of Corona Community Facilities District No. 2004-1	100.	3,185,000
City of Riverside Community Facilities District No. 2006-1 I.A. 1	100.	4,415,000
Alvord Unified School District Community Facilities District No. 2001-1	100.	1,534,000
Alvord Unified School District Community Facilities District No. 2002-1	100.	1,456,000
Alvord Unified School District Community Facilities District No. 2006-1	100.	7,960,000
Riverside County Community Facilities District No. 04-2	100.	19,105,000
City of Riverside Riverwalk Assessment District	100.	7,385,000
City of Riverside Riverwalk Business Assessment District	100.	3,035,000
Western Municipal Water District 1915 Act Bonds	100.	375,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$272,409,723
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	3.055%	$ 21,574,482
Riverside County Pension Obligations	3.055	10,594,435
Riverside County Board of Education Certificates of Participation	3.055	119,145
Alvord Unified School District Certificates of Participation (QZABs)	**100.**	**2,027,061**
City of Corona General Fund Obligations	5.041	2,812,875
City of Riverside General Fund Obligations	19.383	39,432,243
City of Riverside Pension Obligations	19.383	23,648,229
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$100,208,470
Less: Riverside County supported obligations		332,834
City of Corona Certificates of Participation supported by wastewater revenues		76,371
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 99,799,265
OVERLAPPING TAX INCREMENT DEBT:		$26,222,145
GROSS COMBINED TOTAL DEBT		$398,840,338(3)
NET COMBINED TOTAL DEBT		$398,431,133

(1) Based on 2012-13 ratios.
(2) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($202,035,954) 3.17%
Total Direct and Overlapping Tax and Assessment Debt..... 4.28%
Combined Direct Debt ($204,063,015)............................ 3.20%
Gross Combined Total Debt 6.26%
Net Combined Total Debt 6.25%

Ratio to Redevelopment Incremental Valuation ($1,522,310,520):
Total Overlapping Tax Increment Debt................................ 1.72%

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the District (an **"Annual Report"**) to the Municipal Securities Rulemaking Board not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2014 with the report for the 2012-13 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Purchasers of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has prior undertakings pursuant to the Rule. In the previous five years, the District has made late and incomplete filings, and has failed to give notice of ratings changes in a timely manner. The District has, however, made all late filings and completed any prior incomplete filings as of the date of this Official Statement. In addition, the District has engaged Dale Scott & Company, Inc. to serve as its dissemination agent with respect to prior undertakings, as well as with respect to it undertaking in connection with the Bonds.

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the 2010 Notes and (b) the "yields" on the amount of proceeds held and invested prior to payment of the 2010 Notes and on the Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CERTAIN LEGAL MATTERS

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect, executed by an authorized officer of the District, will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

Legal Opinion

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel for the District (**"Bond Counsel"**). The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Jones Hall as Disclosure Counsel (**"Disclosure Counsel"**), and for the Underwriter by ___________, ___________ as Underwriter's Counsel (**"Underwriter's Counsel"**). The fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the **"Tax Code"**) that must be satisfied subsequent to the issuance of the Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes **"original issue discount"** for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes **"original**

issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject to, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

RATINGS

Moody's Investors Services (**"Moody's"**) and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (**"S&P"**) have assigned ratings of "__" and "__," respectively, to the Bonds. The District has provided certain additional information and materials to Moody's and S&P (some of which does not appear in this Official Statement). Such ratings reflect only the views of Moody's and S&P and an explanation of the significance of such ratings and outlooks may be obtained only from Moody's and S&P, respectively. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's or S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

[For negotiated underwriting only; text to be revised if Bonds are sold via competitive sale]

The Bonds are being purchased by ______________ (the **"Underwriter"**). The Underwriter has agreed to purchase the Bonds at a price of $__________ which is equal to the initial principal amount of the Bonds of $__________, plus original issue premium of $___________, less an Underwriter's discount of $__________, and less $____________ to be applied by the Underwriter to pay costs of issuance. The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution, the Refunding Instructions and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District and following delivery of the Bonds will be on file at the offices of the Paying Agent in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District. The District may impose charges for copying, mailing and handling.

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

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

ALVORD UNIFIED SCHOOL DISTRICT

By: ______________________________
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2012

APPENDIX B

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the front half of the Official Statement.

GENERAL DISTRICT INFORMATION

Introduction

The District was formally established in 1960 as a unified successor district tracing its original formation history to 1896. The District currently encompasses an area of approximately 26 square miles in Riverside County, and includes territory located both within and around the cities of Riverside and Corona. The District provides public education services for grades K-12, and continuing education and adult education programs. The District has an estimated enrollment of 19,575 for the 2013-14 school year, and currently operates 14 elementary schools, four middle schools, four high schools and one continuation high school.

Administration

The District is governed by a five-member Board of Education, 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 of Education, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Art Kaspereen Jr.	President	December 2013
Greg Kraft	Vice President	December 2013
Ben Johnson II	Clerk	December 2015
José Luis Pérez	Member	December 2013
Carolyn M. Wilson	Member	December 2015

The day-to-day operations are managed by a board-appointed Superintendent of Schools. Sid Salazar is currently serving as Superintendent.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last eight fiscal years, with projected figures for fiscal years 2013-14 and 2014-15.

ALVORD UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2005-06 through 2014-10

School Year	Enrollment	Percent Change
2005-06	19,869	--
2006-07	19,847	(0.1)
2007-08	19,987	0.7
2008-09	20,057	0.4
2009-10	20,026	(0.2)
2010-11	19,803	(1.1)
2011-12	19,741	(0.3)
2012-13	19,634	(0.5)
2013-14 (1)	19,575	(0.3)
2014-15 (1)	19,516	(0.3)

(1) Projections from the District.
Source: California Department of Education years 2005-06 through 2012-13; The District for years thereafter.

Employee Relations

For fiscal year 2012-13 the District employed [est. 900-update] full-time equivalent (**"FTE"**) certificated employees and [est. 900-update] FTE classified employees. There are two formal bargaining units operating in the District which are described in the table below.

ALVORD UNIFIED SCHOOL DISTRICT
Labor Organizations

Labor Organization	Contract Expiration Date
Alvord Educators Association	[insert]
California School Employees Association	[insert]

Source: Alvord Unified School District .

District Retirement Systems

STRS. The District participates in the State of California Teacher's Retirement System ("**STRS**"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0% of their salary and the District is to contribute a legislatively determined rate, which was 8.25% of payroll for the 2012-13 fiscal year. The District's contribution to STRS for fiscal year 2010-11 was $6,063,134, for fiscal year 2011-12 was $6,072,674, and for fiscal year 2012-13, $5,852,395 is estimated and $6,292,859 is budgeted for fiscal year 2013-14.

PERS. The District also participates in the State of California Public Employees' Retirement System ("**PERS**"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate, which was 10.707% of payroll for 2010-11, 10.923% of payroll for 2011-12 and 11.417% for fiscal year 2012-13. The District's contribution to PERS for fiscal year 2010-11 was \$3,282,998 for fiscal year 2011-12 was \$3,232,877 and for fiscal year 2012-13 \$2,889,664 is estimated and \$2,888,048 is budgeted for fiscal year 2013-14.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the fiscal year 2015-16. The District cannot predict how this change in amortization and smoothing policies will affect its contribution levels.

State Pensions Trusts. Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. STRS has a substantial State unfunded actuarial liability, being \$71.0 billion as of June 30, 2012. PERS also has a substantial state unfunded liability, being approximately \$14.6 billion as of June 30, 2012. Since this liability has not been broken down by the state agency, information is not available showing the District's share.

Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraphs on recent pension reform legislation.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacts the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and amends various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, has a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11% or 12% for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50% of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will have to make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST and through the STRS web site at http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf. *The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

Other Post Employment Benefits

Plan Description. The Postemployment Benefit Plan (the "**Plan**") is a single-employer defined benefit healthcare plan administered by the District. the District provides certain post retirement healthcare benefits, in accordance with District employment contracts, to eligible employees who retire from the District on or after attaining age 55 with at least 10 years of service. The benefits consist of health insurance benefits (medical, dental and vision) and are provided to eligible retirees up to age 65. Membership of the plan consists of 200 retirees and beneficiaries currently receiving benefits, and 1,342 active plan members.

Contribution Information. The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-12, the District annual required contribution was $2,390,265 and the District contributed $1,206,494 to the plan, all of which was used for current premiums. The District has estimated $1,182,249 for its 2012-13 OPEB allocation and has budgeted $1,226,112 for its 2013-14 OPEB allocation.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit ("**OPEB**") cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any UAAL (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the District's net OPEB obligation to the Plan:

ALVORD UNIFIED SCHOOL DISTRICT
Fiscal Year 2011-12 Net OPEB Obligation

Annual required contribution	$2,375,054
Interest on net OPEB obligation	333,844
Adjustment to annual required contribution	(318,633)
Annual OPEB cost (expense)	2,390,265
Contributions made	(1,206,494)
Change in net OPEB obligation	1,183,771
Net OPEB asset, beginning of year	5,384,580
Net OPEB obligation, end of year	$6,568,351

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation was as follows:

ALVORD UNIFIED SCHOOL DISTRICT
OPEB Cost Trends

Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	$2,095,681	$604,627	28.85%	$4,022,876
2011	2,289,863	928,159	40.53	5,384,580
2012	2,390,265	1,206,494	50.48	6,568,351

Insurance

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District contracted with Southern California Regional Liability Excess Fund risk management pool for property and liability insurance coverage. The District's member retention limit was $50,000 and $5,000, respectively, for liability and property claims.

Workers' Compensation. For fiscal year 2011-12, the District was self-funded for its workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. The District's self-insured retention limit for the 2011-12 fiscal year was $750,000. Excess liability coverage for workers' compensation claims is provided through Star Insurance Company, a commercial insurance carrier.

Employee Medical Benefits. The District has contracted with Self Insured Schools of California and Riverside County Employer/Employee Partnership for Benefits to provide employee health benefits. Medical benefits are provided by United Health Care, Anthem Blue Cross, Blue Shield of California, and Kaiser Permanente. Dental benefits are provided by Delta Dental and MetLife Dental. Vision benefits are provided by Medical Eye Service and term life insurance is provided by Prudential Life and Mutual of Omaha Life.

DISTRICT FINANCIAL INFORMATION

The following selected financial information provides a brief overview of the District's finances. This financial information has been extracted from the District's audited financial statements and, in some cases, from unaudited information provided by the District. The most recent audited financial statements of the District with an unqualified auditor's opinion is included as Appendix A hereto. See "APPENDIX A – Audited Financial Statements of the District for Fiscal Year Ending June 30, 2012."

Financial Statements and Accounting Practices

Accounting Practices. The District's fiscal year begins on July 1 and ends on June 30. The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the State of California Education Code, is to be followed by all California school districts.

Measurement Focus and Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

Governmental and fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenses generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenses, as well as expenses related to the compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statements. The District's independent auditor for fiscal year 2011-12 was Vavrinek, Trine, Day & Company, LLP, Pleasanton, California, California. The District's audited financial statements for the year ended June 30, 2012 are included as Appendix A hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

The following table shows the audited fund balance, revenues and expenses statements for the District for the fiscal years 2007-08 through 2011-12.

ALVORD UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2007-08 through 2011-12 (Audited)

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11	Audited 2011-12
Revenues					
Revenue limit sources		$106,695,789	$94,477,732	$99,130,120	$99,383,938
Federal revenues		17,163,707	16,075,656	18,358,919	12,583,661
Other state revenues		28,760,009	26,016,630	24,578,984	28,519,098
Other local revenues		7,699,960	7,856,783	5,857,833	7,178,494
Total Revenues	157,380,523	160,319,465	144,426,801	147,925,856	147,665,191
Expenditures					
Instruction	105,379,675	109,307,541	98,377,911	96,058,935	96,371,117
Instruction-related activities:					
Supervision of instruction	4,374,122	4,023,479	6,879,918	7,590,020	7,779,141
Library, media and technology	1,799,789	1,686,067	1,606,656	1,783,270	1,754,019
School sites administration	11,176,760	10,604,602	7,603,090	7,984,009	7,536,064
Pupil services:					
Home-to-school transportation	4,144,110	3,595,140	3,263,433	3,285,590	2,803,327
Food services	--	--	--	17,970	16,634
All other pupil services	7,299,128	7,349,531	7,310,085	6,909,257	7,164,470
Ancillary services	--	268,594	641,318	530,745	558,721
General Administration:	1,425,324				
Data processing	5,890,334	1,392,788	1,414,400	1,817,625	1,859,394
All other general admin.	14,962,263	5,565,907	5,845,749	5,689,415	5,192,686
Plant services	1,708,383	16,325,612	14,693,280	15,332,452	15,572,899
Facility acquisition, construction	5,824	382,949	35,307	--	9,832
Community services		61,505	--	--	--
Other outgo	--	11,210			
Debt service	165,862	213,140	143,379	227,103	--
Total Expenditures	158,331,574	160,788,065	147,814,526	147,226,391	146,618,304
Excess of Revenues Over/(Under) Expend.	(951,051)	(468,600)	(3,387,725)	702,031	1,046,887
Other Financing Sources (Uses)					
Operating transfers in	--	1,813,704	--	--	--
Operating transfers out	(911,178)		(1,572,858)	--	(114,450)
Total Other Fin. Source(Uses)	(911,178)	1,813,704	(1,572,858)	--	(114,450)
Net change in fund balance	(1,862,229)	1,345,104	(4,960,583)	702,031	932,437
Fund Balance, July 1[1]	22,660,785	20,798,556	22,143,660	18,276,221	18,978,252
Fund Balance, June 30	$20,798,556	$22,143,660	$17,183,077	$18,978,252	$19,910,689

(1) The District's prior year fund balance for the General Fund has been restated as of June 30, 2011, to conform to GASB Statement No. 54's definition of governmental funds.
Source: Alvord Unified School District Audit Reports.

2012-13 Estimated Actuals and 2013-14 General Fund Budget - Revenues, Expenditures and Changes in Fund Balance. The District adopted its fiscal year 2013-14 Budget on June 18, 2013, following a public hearing. The 2013-14 Budget presents fiscal year 2012-13 estimated actuals together with the 2013-14 budgeted figures. The District's budget presentation differs from the District's audit reports; expenses are presented by object not function. The following table shows the income and expense statements for the District for fiscal year 2012-13 (estimated actuals), along with budgeted figures for fiscal year 2013-14.

ALVORD UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2012-13 (Estimated Actuals) and Fiscal Year 2013-14 (Budgeted)

Revenues	Estimated Actuals Fiscal Year 2012-13	Budgeted Fiscal Year 2013-14
Total Revenue Limit Sources	$99,182,152	$100,022,620
Federal Revenues	13,192,859	9,645,376
Other state revenues	25,389,267	25,456,981
Other local revenues	6,093,327	5,231,909
Total Revenues	143,857,605	140,356,886
Expenditures		
Certificated Salaries	73,151,954	77,042,700
Classified Salaries	15,859,336	16,064,372
Employee Benefits	28,829,908	28,675,862
Books and Supplies	11,610,143	4,200,543
Contract Services & Operating Exp.	17,730,607	16,003,086
Capital Outlay	106,662	10,000
Other Outgo (excluding indirect costs)	154,000	
Other Outgo – Transfers of Indirect Costs	(362,792)	(425,636)
Total Expenditures	147,079,818	141,570,927
Excess of Revenues Over/(Under) Expenditures	(3,222,213)	(1,214,041)
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(2,737,069)	(333,536)
Total Other Financing Sources (Uses)	(2,737,069)	(333,536)
Net change in fund balance	(5,959,282)	(1,547,577)
Fund Balance, July 1	19,601,631	13,642,349
Fund Balance, June 30	$13,642,349	$12,094,772

Source: District Adopted Budget for Fiscal Year 2013-14.

Assumptions Used with Respect to 2013-14 Budget. Legislation adopted in connection with the State's 2013-14 Budget includes the implementation of the Local Control Funding Formula (the **"LCFF"**), which changes the formula by which school districts in California receive funding from the State. At the time of District budget preparation, the District followed the pre-LCFF model of education finance, which took a conservative approach to education funding in 2013-14.

Local Control Funding Formula. As described in more detail herein under the heading "STATE FUNDING OF EDUCATION - Recent State Budgets," the adoption of the 2013-14 State Budget and its related implementing legislation includes significant reforms to education finance in the State with the adoption of the LCFF. Under the LCFF, the emphasis shifts from a State-controlled system with funding based largely on ADA and the revenue limit with numerous State-mandated categorical programs, to a locally-controlled system with a funding formula which attempts to better meet the needs of students, particularly those students which come from low-income families or are English language learners which may require more support for success in school, and which provides local school officials with the ability to decide how best to meet the needs of their students.

Funding under the LCFF consists of the following:

1. Base grant of $7,643 per ADA, plus

2. 20% supplemental funding for English language learners, students from low-income families and foster youth, plus

3. A concentration grant for districts with enrollment of more than 55% of English learners, students from low-income families and foster youth of up to 22.5% of a local education agency's base grant, based on the number of such students, plus

4. An economic recovery target, to bring local agencies back to pre-recession funding levels.

The new legislation includes a "hold harmless" provision which provides that a district or charter school will maintain total revenue limit and categorical funding at its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

[The District has a high proportion of English language learners, students from low-income families and foster youth (___% in 2012-13), and expects to receive the base grant funding as well as supplemental funding and a concentration grant in 2013-14. There are many variables which still remain to be finalized with respect to the LCFF model of education finance and the District is unable to predict at this time all of the impacts that this change in education funding will have on its finances.]

Reserve Levels. The District's ending general fund balance reflects the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District has successfully maintained its reserve for economic uncertainties at or above the State requirement, with its unrestricted general fund balance being 4.6% in 2010-11, 7.1% in 2011-12, 3% in fiscal year 2012-13 and budgeted to be 3% in fiscal year 2013-14.

District Budget and Interim Financial Reporting

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues the following types of certifications:

- ***Positive certification*** - the school district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- ***Negative certification*** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.
- ***Qualified certification*** - the school district may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable. In addition, under the California Education Code, a school district which has received a qualified or negative certification on its most recent interim report may not issue and sell general obligation bonds on its own behalf pursuant to the provisions of the Education Code, notwithstanding that the Board of Supervisors of the County with jurisdiction over the school district has adopted a resolution allowing a school district to do so.

District's Budget Approval/Disapproval and Certification History. The following shows recent certification history for the District:

Reporting Period	Type of Certification
2012-13 Second Interim	Positive
2012-13 First Interim	Positive
2011-12 Second Interim	Qualified
2011-12 First Interim	Qualified
2010-11 Second Interim	Qualified
2010-11 First Interim	Qualified
2009-10 Second Interim	Qualified
2009-10 First Interim	Positive

Copies of the District's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 10365 Keller Avenue, Riverside, California 92505; telephone (951) 509-5000. The District may impose charges for copying, mailing and handling.

Long-Term Debt

General Obligation Bonds. The table below sets forth the general obligation bonds and refunding general obligation bonds of the District that are outstanding as of September 1, 2013.

Series	Issue Date	Final Maturity	Interest Rate	Original Principal	Bonds Outstanding 9/1/2013
2002 RGOBs, Series A	11/02/2002	08/01/2030	2.30%-5.90%	$52,810,000	$37,865,000
2007 GOBs, Series A	05/01/2008	08/01/2032	3.50%-5.00%	60,000,000	55,230,000
2007 GOBs, Series B	06/15/2011	08/01/2046	3.00%-5.10%	56,941,560	56,941,560

(1) Not including accreted interest on capital appreciation bonds or convertible capital appreciation bonds.

Refunding GOBs. The District issued its 2002 Series A Refunding General Obligation Bonds for the purpose of refunding on an advance basis three series of general obligation bonds issued by the District pursuant to voter authorization received in 1997, being its 1997 Series A Bonds, its 1997 Series C Bonds and its 1997 Series D Bonds.

GOBs Pursuant to 2007 Authorization. The District issued, pursuant to its 2007 Authorization, two series of General Obligation Bonds, one being designated Series A and the other as Series B.

Bond Anticipation Notes. On May 26, 2010, the District issued $51,999,393.95 principal amount of 2010 General Obligation Bond Anticipation Notes (the **"2010 Notes"**). The 2010 Notes mature on May 1, 2015 and accrete interest at the rate of 5.159% per annum. The 2010 Notes are payable from the proceeds of general obligation bonds issued for that purpose, and/or any other lawfully available funds. A portion of Bond proceeds will be used to establish an escrow fund to pay the principal and interest due on the 2010 Notes at maturity on May 1, 2015.

Certificates of Participation (QZABs). On December 3, 2002, the District caused the issuance of Certificates of Participation in the original principal amount of $2,027,061 for the purpose of financing certain projects at qualified zone academies within the District. Base rental payments in the amount of $114,500 are payable from the District's general fund until final maturity on December 3, 2017.

Supplemental Employee Retirement Plan (SERP). In 2008, 2009, 2010 and 2012, the District offered early retirement incentive plans to certain eligible employees. The plan adopted by the District offered a five year annuity to each employee who retired early, as a supplement to retirement benefits the retirees were eligible to obtain through the California State Teachers' Retirement System. As of June 30, 2012, the balance payable by the District under the annuities was $8,122,843. The final payment is expected to be in 2017.

STRS Golden Handshake. The District adopted an early retirement incentive program, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under CalSTRS and retire during a period of not more than 120 days or less than 60 days from the date of formal action taken by the District. The approximate accumulated future liability for the District as of June 20, 2012 was $65,542.

Short-Term Debt

[Add disclosure regarding issuance of TRAN, if applicable in 2013-14]

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Riverside County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX G - RIVERSIDE COUNTY INVESTMENT POOL – INVESTMENT POLICY AND MONTHLY REPORT."

State Funding of Education and Revenue Limitations

Historically, annual State apportionments of basic and equalization aid to school districts for general purposes have been computed up to a revenue limit per unit of average daily attendance (**"ADA"**). Such apportionments have, generally speaking, amounted 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 California school districts. As described in the preceding section under the heading "-Financial Statements and Accounting Practices - Local Control Funding Formula" and herein under the heading "STATE FUNDING OF EDUCATION - Recent State Budgets," with the implementation of the LCFF, commencing in fiscal year 2013-14, school districts will receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

A schedule of the District's A.D.A. and base revenue limit during the past seven years, as well an estimate for 2013-14, is shown below.

ALVORD UNIFIED SCHOOL DISTRICT
Average Daily Attendance and Base Revenue Limit
Fiscal Years 2006-07 through 2013-14 (projected)

Fiscal Year	A.D.A.	Base Revenue Limit Per ADA
2006-07	18,665	$5,522
2007-08	18,751	5,774
2008-09	18,978	5,625
2009-10	18,861	5,197
2010-11	[to come]	[to come]
2011-12	[to come]	[to come]
2012-13	[to come]	[to come]
2013-14	[to come]	[to come]

(1) Projected.
Source: Ed Data and Alvord Unified School District.

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts. In particular, districts for which its revenue limit entitlement does not exceed its share of the 1% property tax apportionment (known as revenue limit districts) are dependent on the State for revenue limit funding, as opposed to basic aid districts which are entitled to retain their share of property taxes which exceed their revenue limit entitlement. The District is a revenue limit district. Notwithstanding this fact, the District receives substantial revenues derived from voter-approved parcel taxes. See "-Other Local Revenues" below.

Revenue Sources

The District categorizes its general fund revenues into four sources:

ALVORD UNIFIED SCHOOL DISTRICT
District Revenue Sources

Revenue Source	Percentage of General Fund Revenues			
	2010-11	2011-12	2012-13	2013-14
Revenue limit sources (1)	67.0%	67.3%	68.9%	71.3%
Federal revenues	12.4	8.5	9.2	6.9
Other State revenues	16.6	19.3	17.6	18.1
Other local revenues	4.0	4.9	4.2	3.7

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
Source: Alvord Unified School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits have been calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations have been adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is a school district's property tax revenues, i.e., a district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

As described in this Official Statement, with the implementation of the LCFF in fiscal year 2013-14, the amount of State funding provided to school districts will now be determined with a funding model which attempts to better meet the needs of students, particularly those students which come from low-income families or are English language learners which may require more support for success in school, and which provides local school officials with the ability to decide how best to meet the needs of their students. The LCFF affects how much funding a district will receive, but generally not the source of such funding, being its share of local property taxes together with the State funding provided in the LCFF.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

State Funding of Education and Recent State Budgets

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District nor the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

1. The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

2. The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

3. The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

4. The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative

Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2013-14 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget

On June 27, 2013, Governor Brown approved the 2013-14 Budget Act, projecting $97.1 billion in general fund revenues and adopting a $96.3 billion spending plan, the first balanced budget in many years. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 6, 2012) and spending cuts made in the past two years mean that the State's budget is projected to remain balanced for the foreseeable future. The 2013-14 State Budget maintains a $1.1 billion reserve and pays down a budgetary deficit, projected to be reduced from $35 billion to $27 billion in 2013-14 and to below $5 billion by the end of 2016-17.

The 2013-14 State Budget includes total funding of $70 billion ($39.6 billion General Fund and $30.4 billion other funds) for all K-12 education programs. The 2013-14 State Budget and its related implementing legislation enacts significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. With LCFF, Proposition 98 funding, the State's minimum funding guarantee for K-12 schools and community colleges that went into effect in fiscal year 1988-89, is expected to be $55.3 billion in the 2013-14 fiscal year, an increase of more than $8 billion over the 2011-12 fiscal year funding level. The 2013-14 Budget projects Proposition 98 funding for K-12 education to grow by almost $20 billion from the 2011-12 fiscal year to the 2016-17 fiscal year, representing an increase of more than $2,800 per student during such period.

Local Control Funding Formula. The LCFF attempts to move from an existing school funding system characterized as overly complex and inequitable to a locally-controlled system, which responds to research and practical experience indicating that students from low income families and English language learners often require supplemental services and support to be successful in school.

<u>State Funding under the LCFF</u>. The LCFF changes the State funding system for school districts, charter schools and county offices of education by, among other features, consolidating most categorical programs with the existing revenue limit structure to provide a

new student formula which will be phased in over seven years, and implementing supplemental and concentration grants to English language learners and economically disadvantaged students. The LCFF includes the following components:

- A base grant for each local education agency equivalent to $7,643 per unit of A.D.A. This base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

Accountability under the LCFF. The LCFF moves from a State-controlled system that emphasized inputs (largely in the form of categorical funding which required funds to be spent on specific projects and programs) to a locally-controlled system in which local agencies decide the best way to spend funds, focused on improved outcomes. However, districts will be required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement and parent engagement.

County superintendents will review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 State Budget creates the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans.

The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Other K-12 Budget Adjustments. In addition to the first year funding provided under the LCFF, the 2013-14 State Budget includes:

- Common Core Implementation Funding. An increase of $1.25 billion in one-time Proposition 98 funding to support the implementation of the Common Core – new standards for evaluating student achievement in English-language arts and math. Funding will be distributed on the basis of enrollment for professional development, instructional materials and technology. Local agencies must develop a plan on how to spend these funds over the next two years, and hold a public hearing on such plan.

- Career Technical Education Pathways Grant Program. $250 million for one-time competitive capacity building grants for K-12 and community colleges to support programs based on work-based learning.

- K-12 Mandates Block Grant. $50 million to reflect the inclusion of graduation requirements mandate within the block grant program, which will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.

- K-12 Budget Deferral Repayment. An increase of $1.6 billion in 2012-13 and an increase of $242.3 million in 2013-14 for the repayment of inter-year budgetary deferrals.

- Proposition 39 (Energy Efficiency Projects) Implementation. $381 million in Proposition 98 funding is allocated to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85% will be allocated based on A.D.A and 15% will be allocated based on free and reduced price meal eligibility.

- Special Education Funding Reform. Consolidations for various special education programs to simplify special education finance and provide additional funding flexibility.

Higher Education and Health Care. The 2013-14 State Budget increases funding for higher education by between $1,649 and $2,491 per student through 2016-17. The 2013-14 State Budget provides funding to expand Medi-Cal to approximately 1.4 million Californians pursuant to the federal law known as the Affordable Care Act. The State anticipates that this will significantly increase health care coverage, improve access to mental health services, expand substance use disorder treatment and take advantage of new federal dollars.

Numerous Factors Affecting Budget and Projections. The execution of the 2013-14 State Budget, when adopted, may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs, (v) large unfunded liabilities for retired State employee pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2013-14 State Budget to be unattainable. The District cannot predict the impact that the 2013-14 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2013-14 State Budget.

The complete 2013-14 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "-State Funding of Education" and "-Recent State Budgets" above.

2010 Robles-Wong Litigation. On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Riverside County Superior Court challenging the system of financing for public schools in California as unconstitutional. In Maya Robles-Wong, *et al.* v. State of California, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. On July 26, 2011, the Superior Court rejected the plaintiff's amended complaint as not stating an equal protection claim. On January 25, 2012, the plaintiffs filed an appeal in the 1st Appellate District. The District cannot predict the ultimate outcome of the Robles-Wong litigation. However, if successful, the lawsuit could result in changes to the implementation of school finance in California.

2011 CSBA Litigation. The California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District announced on August 28, 2011 that they were filing a lawsuit (the "**CSBA Lawsuit**") in the Superior Court of the City and County of San Francisco, seeking to restore more than $2 billion that had been designated to California public schools under Proposition 98, but was cut from the 2011-12 State Budget. The Superior Court has rejected the CSBA Lawsuit. The plaintiffs appealed the decision. On February 26, 2013, the Appeals Court dismissed the appeal and affirmed the trial court's ruling.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal and accreted value of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. See "SECURITY FOR THE REFUNDING BONDS" in the Official Statement. The provisions of law discussed below are included in this section to describe the potential effect of constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes. It should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with all applicable laws.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by at least 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation. The Bonds are issued pursuant to the authority contained in (iii) of this paragraph, being approval by at least 55% of the voters of the District.

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

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

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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.

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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property that 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.

Constitutional Appropriations Limitation

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

The appropriations of an entity of local government subject to Article XIIIB 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 XIIIB 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 XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Article XIIIC and Article XIIID 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 XIIIC and XIIID (respectively, **"Article XIIIC"** and **"Article XIIID"**), 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 XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Bonds.

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

On November 8, 1988, California 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, will 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 XIIIB surplus. The maximum amount of excess tax revenues that could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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 XIIIB 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:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB 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.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB 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.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations that are subject to the Article XIIIB 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.

Recalculation of Appropriations Limit. The Article XIIIB 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.

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 XIIIB 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 (the "third test"). 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 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. 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.

Proposition 22

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. Proposition 22 was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments within a fiscal year to later months, as well as from one fiscal year to the next. These "cross-year" deferrals have been codified. The State's adopted 2013-14 Budget does not include any intra-year deferrals.

Application of Constitutional and Statutory Provisions; Recent Lawsuit

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets." See also "- Legal Challenges to State Funding of Education" for a description of a pending lawsuit against the State challenging the existing system of public finance.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111 and 22 were each adopted as measures that qualified for the ballot under 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.

APPENDIX C

GENERAL INFORMATION ABOUT RIVERSIDE COUNTY

General

The District is located in in and around the cities of Riverside and Corona, in Riverside County, California. Set forth below is certain demographic information in Riverside County that could affect the economic environment within which the District operates.

Riverside County

Riverside County, which encompasses 7,177 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 28 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

Riverside County Population

The largest cities in Riverside County are the cities of Riverside, Moreno Valley, Corona, Menifee, Indio, Murrieta, Temecula and Jurupa Valley. The areas of most rapid population growth continue to be those more populated and industrialized cities in the western and central regions of Riverside County and the southwestern unincorporated region of Riverside County between Sun City and Temecula.

The following table sets forth annual population figures, as of January 1, for the City of Corona, the City of Riverside, Riverside County and the State, for each of the years listed:

COUNTY OF RIVERSIDE
Population Estimates

Year (January 1)	City of Riverside	City of Corona	Riverside County	State of California
2009	298,721	149,692	2,140,626	36,966,676
2010	302,597	151,858	2,179,692	37,223,900
2011	306,069	153,047	2,205,731	37,427,946
2012	309,407	154,985	2,234,193	37,668,804
2013	311,955	156,823	2,255,059	37,966,471

Source: State of California Department of Finance, Demographic Research Unit.

Employment

The District is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area ("MSA"). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 11.0% in July 2013, up from a revised 10.3% in June 2013, and below the year-ago estimate of 13.1%. This compares with an unadjusted unemployment rate of 9.3% for California and 7.7% for the nation during the same period. The unemployment rate was 11.1% in Riverside County, and 10.8% in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA (RIVERSIDE COUNTY)
Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2008	2009	2010	2011	2012
Civilian Labor Force (1)	912,700	916,500	937,500	1,795,000	1,805,400
Employment	835,000	793,900	801,600	1,551,500	1,586,800
Unemployment	77,700	122,600	135,900	243,500	218,600
Unemployment Rate	8.5%	13.4%	14.5%	13.6%	12.1%
Wage and Salary Employment: (2)					
Agriculture	15,900	14,900	15,000	14,900	15,100
Mining and Logging	1,200	1,100	1,000	1,000	1,200
Construction	90,700	67,900	59,700	59,000	61,200
Manufacturing	106,900	88,800	85,100	85,100	86,500
Wholesale Trade	54,100	48,900	48,600	49,000	51,300
Retail Trade	168,600	156,200	155,500	158,500	161,700
Transportation, Warehousing and Utilities	70,200	66,800	66,600	68,700	70,800
Information	14,800	14,100	14,000	12,100	11,600
Finance and Insurance	27,400	26,000	25,500	25,300	26,000
Real Estate and Rental and Leasing	18,700	16,600	15,500	14,600	14,800
Professional and Business Services	138,200	125,100	123,400	125,800	126,800
Educational and Health Services	131,800	133,600	133,800	139,200	145,500
Leisure and Hospitality	131,000	123,800	122,800	124,000	129,500
Other Services	40,800	37,300	38,200	39,100	40,400
Federal Government	19,600	20,600	22,700	21,300	20,600
State Government	29,600	29,800	29,300	29,100	28,200
Local Government	181,900	184,900	182,300	177,100	175,700
Total All Industries	1,241,200	1,156,400	1,139,000	1,143,700	1,166,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

Largest Employers in Riverside County

The following table lists the major employers within the County:

COUNTY OF RIVERSIDE
Major Employers
(As of January 2013)

Employer Name	Location	Industry
Abbott Vascular Inc	Temecula	Physicians & Surgeons Equip & Supls-Whls
Corona City Hall	Corona	City Government-Executive Offices
Corrections Department	Norco	State Govt-Correctional Institutions
Desert Regional Medical Center	Palm Springs	Hospitals
Eisenhower Medical Center Heart	Rancho Mirage	Orthopedic Surgeons
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Center	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
HUB International Ins Services-CA	Riverside	Insurance
Inland Valley Medical Center	Wildomar	Hospitals
JW Marriott-Desert Springs Resort	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Hospitals
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Resort & Club	La Quinta	Hotels & Motels
Morongo Casino Resort & Spa	Cabazon	Casinos
Morongo Tribal Gaming Enterprises	Banning	Business Management Consultants
Pechanga Resort & Casino	Temecula	Casinos
Restoration Technologies Inc	Corona	Electronic Equipment & Supplies-Repair
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Clinics
Roupe's Renovations	Wildomar	Remodeling & Repairing Bldg Contractors
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition

Riverside County Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

COUNTY OF RIVERSIDE
Median Household Effective Buying Income
For Calendar Years 2008 through 2012

Year	Area	Median Household Effective Buying Income
2008	City of Riverside	$45,059
	City of Corona	62,875
	Riverside County	46,958
	California	48,952
	United States	42,303
2009	City of Riverside	$44,974
	City of Corona	63,764
	Riverside County	47,080
	California	49,736
	United States	43,252
2010	City of Riverside	$42,509
	City of Corona	59,494
	Riverside County	4,253
	California	47,177
	United States	41,368
2011	City of Riverside	$42,351
	City of Corona	59,309
	Riverside County	44,116
	California	47,062
	United States	41,253
2012	City of Riverside	$42,848
	City of Corona	56,726
	Riverside County	43,860
	California	47,307
	United States	41,358

Source: The Nielsen Company (US), Inc.

Construction Trends

Provided below are the building permits and valuations for the County, for calendar years 2008 through 2012.

COUNTY OF RIVERSIDE
Total Building Permit Valuations
(Valuation in Thousands of Dollars)

	2008	2009	2010	2011	2012
Permit Valuation					
New Single-family	$1,214,753.0	$892,790.0	$914,057.4	$647,070.8	$904,156.2
New Multi-family	243,741.9	75,756.1	71,151.9	113,170.4	87,878.6
Res. Alterations/Additions	118,488.7	85,148.0	94,427.5	188,468.9	87,370.5
Total Residential	$1,576,983.5	$1,053,694.1	$1,079,636.8	$948,710.1	$1,079,405.3
New Commercial	$539,943.4	$94,651.4	$191,323.7	166,714.4	508,192.8
New Industrial	70,410.8	12,277.6	6,685.5	10,000.0	26,432.5
New Other	138,765.2	107,332.1	98,104.6	16,576.8	11,115.5
Com. Alterations/Additions	292,693.8	162,557.5	243,265.5	297,356.4	171,236.2
Total Nonresidential	$1,041,813.1	$376,818.7	$539,379.4	$323,933.2	$716,977.0
New Dwelling Units					
Single Family	3,815	3,431	4,031	2,659	3,720
Multiple Family	2,104	759	526	1,061	909
TOTAL	5,919	4,190	4,557	3,720	4,629

Source: Construction Industry Research Board, Building Permit Summary.

Riverside County Commercial Activity

Commercial activity is an important factor in Riverside County's economy. Much of Riverside County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are eight regional shopping malls in Riverside County: Moreno Valley Mall (in Moreno Valley), Main Street Pedestrian Mall (in Riverside), Galleria at Tyler (in Riverside), Westfield Palm Desert (in Palm Desert), Gardens on El Paseo (in Palm Desert), Canyon Crest Towne Center (in Riverside), the Promenade in Temecula, and The River (in Rancho Mirage). There are also two factory outlet malls (Desert Hills Premium Outlets and Lake Elsinore Outlet Center) and over 200 area centers in Riverside County.

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 and after is not comparable to that of prior years.

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2012 in the County were reported to be $6.583 billion, a 7.6% increase over the total taxable sales of $6.115 billion reported during the first quarter of calendar year 2011. Annual figures for calendar year 2012 are not yet available.

COUNTY OF RIVERSIDE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	22,918	$21,242,516	45,279	$29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009 (1)	29,829	16,057,488	42,765	22,227,877
2010 (1)	32,534	16,919,500	45,688	23,152,780
2011 (1)	33,398	18,576,285	46,886	25,641,497

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

Riverside County Agriculture

Agriculture remains a leading source of income in Riverside County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, dates, lemons and avocados. Four areas in Riverside County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of Riverside County, the Coachella Valley in the central portion and the Palo Verde Valley near Riverside County's eastern border.

Riverside County Transportation

Easy access to job opportunities in Riverside County and nearby Los Angeles, Orange and San Diego Counties is important to Riverside County's employment picture. Several major freeways and highways provide access between Riverside County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of Riverside County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (U.S. 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles and Orange Counties from several stations in Riverside County. Transcontinental passenger rail service is provided by Amtrak with a stop in Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads – Burlington Northern/Santa Fe and Union Pacific. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Alvord and Indio. The City of Banning also operates a local bus system.

Riverside County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Alvord Regional Airport. County-operated general aviation airports include those in Thermal, Alvord, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Force Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base thereafter are presently being formulated by the March AFB Joint Powers Authority, comprised of Riverside County and the Cities of Riverside, Moreno Valley and Perris.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

____________, 2013

Board of Education
Alvord Unified School District

OPINION: $__________ Alvord Unified School District
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Alvord Unified School District (the "District") in connection with the issuance by the District of its Alvord Unified School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series A, in the aggregate principal amount of $__________ (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and a resolution adopted by the Board of Education of the District on October 3, 2013 and a resolution adopted by the Board of Supervisors of Riverside County on November 5, 2013 (together, the "Bond Resolutions"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations contained in the Bond Resolutions and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a school district with the power to issue the Bonds under the Bond Law and to perform its obligations under the Bond Resolutions.

2. The Bond Resolutions have been duly adopted by the Board of Trustees of the District and the Board of Supervisors of the County, respectively, and constitute the valid and binding obligation of the District enforceable against the District in accordance with their respective terms.

3. The Bonds have been duly issued by the District and are valid and binding general obligations of the District, and the County of Riverside is obligated to levy *ad valorem* taxes for

the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$___________
ALVORD UNIFIED
SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds
2012 Election, Series A

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Alvord Unified School District (the "District") in connection with the issuance of the above-captioned bonds ("Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Education of the District on October 3, 2013 and the Board of Supervisors of Riverside County on November 5, 2013 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means, Dale Scott & Co., Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means any of the original purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2014 with the report for the 2012-13 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) The District's most recently adopted Budget;

(ii) Assessed value of taxable property in the jurisdiction of the District as shown on the most recent equalized assessment roll, including the assessed value of the top ten secured property taxpayers in the District; and

(iii) Property tax levy and delinquencies for the District, for the most recently completed Fiscal Year.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the

District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Initially, the District shall serve as Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: ____________, 2013

ALVORD UNIFIED SCHOOL DISTRICT

By: ________________________________
Superintendent

Acceptance of Duties as Dissemination Agent:

Dale Scott & Co., Inc.

By: ________________________________
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Alvord Unified School District
Name of Bond Issue:	$_______________ aggregate principal amount of Alvord Unified School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series A
Date of Issuance:	______________, 2013

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by ____________.

Dated: ________________

DALE SCOTT & CO., INC., as Dissemination Agent

By: ______________________________
Authorized Officer

cc: Alvord Unified School District

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

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

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX G

RIVERSIDE COUNTY INVESTMENT POLICY AND MONTHLY REPORT