

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds designated as Qualified School Construction Bonds (the "Federally Taxable Bonds") is exempt from State of California personal income tax. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds not designated as Qualified School Construction Bonds (the "Federally Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Federally Taxable Bonds which are designated as Qualified School Construction Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest (and original issue discount) on the Federally Tax-Exempt Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to tax consequences relating to the Bonds.

**ALHAMBRA UNIFIED SCHOOL DISTRICT
ELEMENTARY SCHOOLS IMPROVEMENT DISTRICT
(Los Angeles County, California)**

\$13,199,720.75

**Election of 2008 General Obligation Bonds, Series B
(Tax-Exempt)**

\$11,800,000.00

**Election of 2008 General Obligation Bonds, Series B-1
(Qualified School Construction Bonds – Direct Payment to Issuer)
(Federally Taxable)**

Dated: Date of Delivery

Due: February 1 and August 1 as shown on the inside cover page

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making an informed investment decision.

The Alhambra Unified School District Elementary Schools Improvement District (Los Angeles County, California) Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) (the "Series B Bonds") and the Alhambra Unified School District Elementary Schools Improvement District (Los Angeles County, California) Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds – Direct Payment to Issuer) (Federally Taxable) (the "Series B-1 Bonds," and, together with the Series B Bonds, the "Bonds") are being issued by the Alhambra Unified School District (the "School District"). The Bonds were authorized at a general election of the registered voters of the Alhambra Unified School District Elementary Schools Improvement District (the "Improvement District") held on November 4, 2008, at which fifty-five percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$50,000,000 principal amount of general obligation bonds of the Improvement District. The Series B Bonds are being issued to (i) acquire, upgrade, construct, improve and equip certain elementary school property and facilities within the Improvement District, (ii) to refinance outstanding certificates of participation of the School District, and (iii) pay the costs of issuing the Bonds. The Series B-1 Bonds are being issued to (i) acquire, upgrade, construct, improve and equip certain elementary school property and facilities within the Improvement District, and (ii) pay the costs of issuing the Bonds.

The Bonds represent an obligation of the Improvement District payable solely from *ad valorem* property taxes levied and collected by Los Angeles County (the "County"). The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the Improvement District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds.

The Series B-1 Bonds are being designated as "Qualified School Construction Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). With respect to the Series B-1 Bonds, the School District expects to receive, on or about each Bond Payment Date (defined herein) for the Bonds, a cash subsidy payment (each a "Subsidy Payment") from the United States Treasury (the "Treasury") equal to the amount of interest that would have been payable on such Bond Payment Date on such Series B-1 Bonds if such interest were determined at a federal tax credit rate applicable to the Series B-1 Bonds, as shown on the inside cover page (the "Tax Credit Rate"), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code. Prior to each such Bond Payment Date for the Series B-1 Bonds, the School District will cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations. Upon receipt of such Subsidy Payment, the School District shall deposit or cause to be deposited any such cash Subsidy Payment into the Debt Service Fund (defined herein) for the Bonds maintained by the County. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the HIRE Act (defined herein).

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest on the Current Interest Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery"), and is payable on February 1 and August 1 of each year, commencing August 1, 2011 (each, a "Bond Payment Date"). The Capital Appreciation Bonds are dated the Date of Delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2011. The Capital Appreciation Bonds are payable only at maturity and will not pay interest on a current basis.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 principal amount or \$5,000 Maturity Value, as applicable, or any integral multiple thereof. The Bonds will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. Payments of principal and Maturity Value of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. (See "APPENDIX E – Book-Entry Only System" herein.) U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Series B Bonds (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series B Bonds by ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) The Series B-1 Bonds (the "Uninsured Bonds") are not insured.



The Bonds are subject to redemption as further described herein.

Maturity Schedules*
(see inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about February 23, 2011.

George K. Baum & Company

MATURITY SCHEDULES

\$13,199,720.75

**ALHAMBRA UNIFIED SCHOOL DISTRICT
ELEMENTARY SCHOOLS IMPROVEMENT DISTRICT
(Los Angeles County, California)
Election of 2008 General Obligation Bonds, Series B
(Tax-Exempt)**

Base CUSIP⁽¹⁾: 016066

\$4,100,000.00 Current Interest Term Bonds

Maturity	Principal	Interest	Yield	CUSIP⁽¹⁾
<u>August 1</u>	<u>Amount</u>	<u>Rate</u>		
2029	\$4,100,000	6.00%	5.68% ⁽²⁾	BA9

\$9,099,720.75 Capital Appreciation Serial Bonds

Maturity	Initial	Accretion	Yield to	Final	CUSIP⁽¹⁾
<u>August 1</u>	<u>Principal</u>	<u>Rate</u>	<u>Maturity</u>	<u>Accreted</u>	
	<u>Amount</u>			<u>Value</u>	
2029	\$109,330.50	10.245%	7.200%	\$690,000	BL5
2030	286,780.00	10.245	7.250	2,000,000	BM3
2031	282,206.25	10.245	7.320	2,175,000	BN1
2032	616,402.50	10.245	7.450	5,250,000	BP6
2033	571,200.00	7.530	7.530	3,000,000	BQ4
2034	1,125,202.50	7.590	7.590	6,450,000	BR2
2035	1,074,747.00	7.630	7.630	6,700,000	BB7
2036	1,034,250.00	7.660	7.660	7,000,000	BC5
2037	997,910.00	7.670	7.670	7,300,000	BD3
2038	961,020.00	7.680	7.680	7,600,000	BE1
2039	935,600.00	7.690	7.690	8,000,000	BF8
2040	865,120.00	7.700	7.700	8,000,000	BG6
2041	239,952.00	7.710	7.710	2,400,000	BH4

\$11,800,000

**ALHAMBRA UNIFIED SCHOOL DISTRICT
ELEMENTARY SCHOOLS IMPROVEMENT DISTRICT
(Los Angeles County, California)
Election of 2008 General Obligation Bonds, Series B-1
(Qualified School Construction Bonds – Direct Payment to Issuer)
(Federally Taxable)**

Base CUSIP⁽¹⁾: 016066

Tax Credit Rate: 5.59%

\$5,400,000.00 - 5.850% - Current Interest Serial Bond due August 1, 2020 – Yield 5.850%; CUSIP⁽¹⁾: BJ0

\$6,400,000.00 – 6.700% - Current Interest Serial Bond due February 1, 2026 – Yield 6.700%; CUSIP⁽¹⁾: BK7

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the School District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield to call at par.

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

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

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

Certain information set forth herein, other than that provided by the Improvement District and the School District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Improvement District or the School District. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Improvement District or the School District since the date hereof.

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

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM”) makes no representation regarding the Series B Bonds or the advisability of investing in the Series B Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “THE BONDS - Bond Insurance” and “APPENDIX H - Specimen Municipal Bond Insurance Policy”.

ALHAMBRA UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Adele Andrade-Stadler, *President*
Patricia Rodriguez Mackintosh, *Vice President*
Chester Chau, *Clerk*
Jane Anderson, *Member*
Robert Gin, *Member*

DISTRICT ADMINISTRATION

Donna M. Pérez, *Superintendent*
Cynthia L. Martin, *Chief Operations Officer*
Harold Standerfer, *Deputy Superintendent, Pupil Services*
Denise R. Jaramillo, *Assistant Superintendent, Financial Services*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

UNDERWRITER

George K. Baum & Company
Sacramento, California

PAYING AGENT, TRANSFER AGENT, AND PAYING AGENT

U.S. Bank National Association, as agent of the
Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

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**ALHAMBRA UNIFIED SCHOOL DISTRICT
ELEMENTARY SCHOOLS IMPROVEMENT DISTRICT
(Los Angeles County, California)**

\$13,199,720.75 Election of 2008 General Obligation Bonds, Series B (Tax-Exempt)	\$11,800,000.00 Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds – Direct Payment to Issuer) (Federally Taxable)
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INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of (i) Alhambra Unified School District Elementary Schools Improvement District (Los Angeles County, California) Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) (the “Series B Bonds”) and (ii) Alhambra Unified School District Elementary Schools Improvement District (Los Angeles County, California) Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds – Direct Payment to Issuer) (Federally Taxable) (the “Series B-1 Bonds,” and, together with the Series B Bonds, the “Bonds”).

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

The School District

The Alhambra Unified School District (the “School District”) was established on July 1, 2004, upon the unification of the Alhambra City Elementary School District (the “Elementary School District”) and the Alhambra High School District. The School District includes in its boundaries all of the City of Alhambra and certain portions of the Cities of Monterey Park, Rosemead and San Gabriel. The School District covers approximately 16.4 square miles, operates 13 K-8 schools, three comprehensive high schools, one continuation high school, an adult education center, and an alternative high school. The School District serves a population of approximately 178,200 residents and has a projected average daily attendance for fiscal year 2010-11 of 17,840 students. See “THE SCHOOL DISTRICT” herein.

The Improvement District

The Improvement District is located in the western portion of the School District, and includes within its boundaries all of the City of Alhambra and portions of the Cities of Monterey Park, Rosemead and San Gabriel. The Improvement District includes all of the territory formerly within the Elementary School District, except for the territory currently lying within the boundaries of the Garvey School District. See “APPENDIX A – Location Map of the Improvement District” herein. The area of the Improvement District is about 11.75 square miles, representing about 72% of the territory of the School District. The Improvement District serves a population of approximately 130,000 residents, accounting for approximately 81% of the total population of the School District. For fiscal year 2010-11, the assessed valuation of taxable property within the boundaries of the Improvement District is \$10,102,959,664. See “THE IMPROVEMENT DISTRICT” herein.

Description of the Bonds

Current Interest and Capital Appreciation Bonds. The Series B Bonds will be issued as current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”). The Series B-1 Bonds will be issued as Current Interest Bonds. The Series B Bonds mature on August 1 in the years indicated on the inside cover page hereof. The Series B-1 Bonds mature on February 1 and August 1 in the years indicated on the inside cover page hereof. The Capital Appreciation Bonds are payable only at maturity and will not pay interest on a current basis. The maturity value of a Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity thereof (the “Maturity Value”), being composed of its initial principal amount and the interest accreting thereon between the delivery date thereof and its respective maturity date.

Qualified School Construction Bonds. The Series B-1 Bonds are being designated “Qualified School Construction Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). With respect to the Series B-1 Bonds, the School District expects to receive, on or about each Bond Payment Date (defined herein) for the Series B-1 Bonds, a cash subsidy payment (each a “Subsidy Payment”) from the United States Treasury (the “Treasury”) equal to the amount of interest that would have been payable on such Bond Payment Date under such Series B-1 Bonds if such interest were determined at a federal tax credit rate applicable to the Series B-1 Bonds, as shown on the inside cover page hereof (the “Tax Credit Rate”), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). Prior to each such Bond Payment Date for the Series B-1 Bonds, the School District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations. Upon receipt of such Subsidy Payment, the School District will deposit or cause to be deposited any such Subsidy Payment into the Debt Service Fund (defined herein) for the Bonds maintained by the County. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the HIRE Act (defined herein). See “THE BONDS – Designation of Certain Bonds as Qualified School Construction Bonds” herein.

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the inside cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “APPENDIX E – Book-Entry Only System” herein. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution (defined herein). See “THE BONDS – Registration, Transfer and Exchange of Bonds” herein.

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

Redemption. The Series B Current Interest Bonds may be redeemed prior to maturity, in whole or in part, on any day on or after August 1, 2021. The Series B Current Interest Bonds are also subject to mandatory sinking fund redemption prior to their stated maturity dates as further described herein. The Series B Capital Appreciation Bonds are not subject to redemption prior to their fixed maturity dates. The Series B-1 Bonds are subject to extraordinary optional redemption and extraordinary mandatory redemption prior to their stated maturity dates as further described herein. See “THE BONDS – Redemption” herein.

Payments. Interest on the Current Interest Bonds accrues from their date of delivery (the “Date of Delivery”), and is payable semiannually on each February 1 and August 1, commencing August 1, 2011 (each, a “Bond Payment Date”). The Capital Appreciation Bonds accrete in value from their initial principal amounts on the Date of Delivery to their Maturity Value at the accretion rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2011. The Capital Appreciation Bonds are payable only at maturity according to the amounts set forth in the accreted values table as shown in APPENDIX G attached hereto. Payments of the principal and Maturity Value of, and interest on, the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of the County (the “County Treasurer”) to act as Paying Agent for the Bonds.

Bond Insurance. The scheduled payment of principal (and, in the case of Capital Appreciation Bonds, the Accreted Value) of and interest on the Series B Bonds (the “Insured Bonds”), when due will be guaranteed under a financial guaranty insurance policy (the “Policy”) to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp (“Assured Guaranty”). The Series B-1 Bonds (the “Uninsured Bonds”) are not insured. See “THE BONDS - Bond Insurance” and “RATINGS” herein.

Sources of Payment for the Bonds

The Bonds represent an obligation of the Improvement District payable solely from *ad valorem* property taxes levied and collected by Los Angeles County (the “County”). The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the Improvement District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal and Maturity Value of, and interest on, the Bonds. See “THE BONDS – Security” herein.

Purpose of Issue

The Series B Bonds are being issued to (i) acquire, upgrade, construct, improve and equip certain elementary school property and facilities within the Improvement District, as specified in a list submitted to and approved by the voters of the Improvement District, (ii) refinance outstanding Alhambra Unified School District Certificates of Participation (2008 Financing Project) (the “2008 Certificates”), and (iii) pay the costs of issuing the Bonds. The Series B-1 Bonds are being issued to (i) acquire, upgrade, construct, improve and equip certain elementary school property and facilities within the Improvement District, as specified in a list submitted to and approved by the voters of the Improvement District, and (ii) pay the costs of issuing the Bonds.

In addition, because the Series B-1 Bonds are designated as Qualified School Construction Bonds under Section 54F (“Section 54F”) of the Code, their proceeds may be applied only for qualified expenditures under the Recovery Act. Section 54F requires that the proceeds of Qualified School Construction Bonds, such as the Series B-1 Bonds, be applied solely to the construction, rehabilitation or repair of a public school facility, or the acquisition of land on which such a facility is to be constructed and to payment of costs of issuance not in excess of 2% of the issue price of said bonds. Internal Revenue Service (“IRS”) Notice 2009-35, released April 3, 2009, provided that bond proceeds may also be expended for “costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired” with the proceeds of the related Qualified School Construction Bonds. Thus, expenditure of the proceeds of the Series B-1 Bonds will be subject to both the limitations of the 2008 Authorization (defined below) and of Section 54F. See “APPLICATION AND INVESTMENT OF BOND PROCEEDS” herein.

The School District expects to expend the proceeds of sale of the Series B-1 Bonds within three years after the date of their delivery. The School District has covenanted to provide notice of its final expenditure of the proceeds of the Series B-1 Bonds from the Series B-1 Building Fund (defined herein) as a Notice of Significant Event under its Continuing Disclosure Certificate. See “APPENDIX C – Form of Continuing Disclosure Certificate.”

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Education of the School District, acting as the governing board of the Improvement District. See “THE BONDS – Authority for Issuance” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about February 23, 2011.

Continuing Disclosure

The School District, on behalf of the Improvement District, will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the School District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of enumerated events is summarized in “APPENDIX C – Form of Continuing Disclosure Certificate” attached hereto.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the compliance with certain covenants and requirements described herein, interest on the Series B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Series B Bond (the first price at which a substantial amount of the Series B Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series B Bonds constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Series B Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See “TAX MATTERS – Series B Bonds” herein.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B-1 Bonds which are designated as Qualified School Construction Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B-1 Bonds is exempt from State of California personal income tax. See “TAX MATTERS – Series B-1 Bonds” herein.

Forward Looking Statements

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel with respect to the Bonds, and will receive compensation from the School District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association has been appointed as the agent of the County Treasurer to act as Paying Agent for the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from either the Chief Operations Officer or the Assistant Superintendent, Fiscal Services, Alhambra Unified School District, 1515 W. Mission Road, Alhambra, California 91803, (626) 943-3000. The School District may impose a charge for copying, mailing and handling.

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

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

Capitalized terms used but not otherwise defined herein will have the meaning assigned to such terms by the Bond Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), and other applicable law, and pursuant to a resolution adopted by the Board of Education of the School District, acting as the governing board of the Improvement District, on January 25, 2011 (the “Bond Resolution”). In accordance with the Act, the Bonds are being issued by the School District on behalf of the Improvement District.

The Bonds were authorized at the general election held on November 4, 2008, by an affirmative vote of the requisite fifty five percent of the votes cast by eligible voters within the Improvement District to issue not-to-exceed \$50,000,000 of general obligation bonds (the “2008 Authorization”). On April 16, 2009, the School District caused the first issuance of bonds under the 2008 Authorization in an aggregate principal amount of \$24,999,987 (the “2008 Series A Bonds”). The Bonds represent the second and final issuance of bonds within the 2008 Authorization.

Designation of Certain Bonds as Qualified School Construction Bonds

The Series B-1 Bonds are designated as “Qualified School Construction Bonds” for purposes of the Recovery Act, which act was signed into law on February 17, 2009. The total amount of Qualified School Construction Bonds allocated nationally in calendar year 2010 is limited by the Code to \$11 billion and the California Department of Education has allocated a portion of such limit to the School District (the “Allocation”) in the amount of \$11,800,000. The principal amount of the Series B-1 Bonds will not be in excess of the Allocation.

On March 18, 2010, the President signed into law the Hiring Incentives to Restore Employment Act of 2010 (the “HIRE Act”), which law made changes to certain provisions in the Code permitting the issuance of Qualified School Construction Bonds in the form of taxable interest bearing bonds with respect to which the issuer thereof may receive a cash subsidy payment from the United States Treasury on or about each Bond Payment Date for such bonds. The School District has elected to issue the Series B-1 Bonds as direct payment Qualified School Construction Bonds pursuant to Section 54F of the Code and Section 6431 of the Code, as amended by the HIRE Act.

With respect to the Series B-1, the School District expects to receive, on or about each Bond Payment Date for the Bonds, a Subsidy Payment from the Treasury equal to the lesser of (a) the interest payable on such Series B-1 Bonds on such Bond Payment Date or (b) the amount of interest that would have been payable on such Bond Payment Date under such Series B-1 Bonds if such interest were determined under the Tax Credit Rate, as shown on the inside cover page. Prior to each such Bond Payment Date for the Series B-1 Bonds, the School District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations. Upon receipt of such Subsidy Payment, the School District shall deposit or cause to be deposited any such Subsidy Payment into the Debt Service Fund for the Bonds maintained by the County. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the HIRE Act.

The levy of *ad valorem* taxes will take into account amounts received from the Treasury as Subsidy Payments and on-deposit in the Debt Service Fund. However, the Series B-1 Bonds are secured by and payable from *ad valorem* property taxes levied in amounts sufficient to make all payments of principal and interest due thereon, irrespective of the receipt of Subsidy Payments. See “THE BONDS – Security” herein.

Security

The Bonds represent general obligations of the Improvement District, payable solely from *ad valorem* taxes levied by the County. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes upon all property within the Improvement District subject to taxation without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates) for the payment of principal, and Maturity Value of, and interest on, the Bonds. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal, and Maturity Value of, and interest on, the Bonds when due. Such taxes, when collected, will be deposited into the Alhambra Unified School District Elementary Schools Improvement District, Election of 2008 General Obligation Bonds, Series B and B-1 Debt Service Fund (the “Debt Service Fund”), which is maintained by the County and which is required by the Act to be applied for the payment of principal, and Maturity Value of, and interest on, the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal, and Maturity Value of, and interest on, the Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal, Maturity Value and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The amounts of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the Improvement District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the Improvement District may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District’s control, such as economic recession, deflation of land values, a relocation out of the Improvement 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 or other natural disaster, could cause a reduction in the assessed value within the Improvement District and necessitate a corresponding increase in the annual tax rate in the Improvement District. For further information regarding the Improvement District’ assessed valuations, tax rates, overlapping debt, and other matters concerning taxation, see “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Purchasers will not receive certificates representing their interests in the Bonds.

Interest with respect to the Current Interest Bonds accrues from their date of delivery (the “Date of Delivery”), and is payable semiannually on each Bond Payment Date, commencing August 1, 2011. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2011, in which event it shall bear interest from its date; *provided*, that if, at the time of authentication of any Current Interest Bond interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds. The

Current Interest Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

The Capital Appreciation Bonds are dated their Date of Delivery. The Capital Appreciation Bonds are issuable in the denomination of \$5,000 Maturity Value or any integral multiple thereof, except one Capital Appreciation Bond may be issued in an odd denomination. No Capital Appreciation Bond shall have principal maturing on more than one date.

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from their Date of Delivery at the accretion rates per annum set forth on the inside cover, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2011. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date. Interest with respect to each Capital Appreciation Bond is represented by the amount each Capital Appreciation Bond accretes in value from its initial principal amount to the date for which Accreted Value is calculated. The Accreted Value (the “Accreted Value”) of a Capital Appreciation Bond is calculated by discounting on a 30-day month, 360 day year basis its Maturity Value on the basis of a constant interest rate (the “Accretion Rate”) compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by prorating the Accreted Values to the closest prior or subsequent February 1 or August 1.

See the maturity schedule on the inside cover page hereof and “DEBT SERVICE SCHEDULE FOR THE BONDS” herein.

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Insured Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM”) will issue its Municipal Bond Insurance Policy for the Insured Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

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

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM’s financial strength is rated “AA+” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by

Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

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

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

Capitalization of AGM

At September 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,512,828,657 and its total net unearned premium reserve was approximately \$2,305,542,616, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and
- (iv) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

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

Any information regarding AGM included herein under the caption "THE BONDS – Bond Insurance – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance."

Paying Agent

The County Treasurer will act as the bond registrar, transfer agent, and paying agent for the Bonds. U.S. Bank National Association has been appointed as the agent of the County Treasurer to act as Paying Agent for the Bonds. As long as DTC is the registered owner of the Bonds and 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.

The Paying Agent, the Improvement District, the School District, the County and the Underwriter 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. See "APPENDIX E – Book-Entry Only System" herein.

Payment

The principal and Maturity Value of the Bonds will be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Current Interest Bonds, will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Current Interest Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least \$1,000,000 of outstanding Current Interest Bonds who shall have requested in writing such method of payment of interest on such bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Redemption

Optional Redemption. The Series B Current Interest Bonds may be redeemed prior to maturity, at the option of the School District, in whole or in part, on any day on or after August 1, 2021 at a redemption price equal to the principal amount of such Current Interest Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Series B Capital Appreciation Bonds are not subject to optional redemption prior to their fixed maturity dates.

Mandatory Redemption. The Series B Current Interest Bonds are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2026, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
2026	\$155,000.00
2027	1,515,000.00
2028	1,505,000.00
2029 ⁽¹⁾	925,000.00

⁽¹⁾ Maturity.

Extraordinary Optional Redemption. Upon the occurrence of an Extraordinary Event (as defined below) the Series B-1 Bonds shall be subject to redemption, at the option of the School District, prior to their maturity date, in whole or in part, on the date designated by the School District, which date shall be the Make-Whole Redemption Price (defined below).

The “**Make-Whole Redemption Price**” means the amount equal to the greater of the following:

1. the initial offering price of the Series B-1 Bonds (but not less than 100% of the principal amount of the Series B-1 Bonds to be redeemed); or
2. the sum of the present value of the remaining scheduled payments of principal and interest with respect to the Series B-1 Bonds to be redeemed to the maturity date of such Series B-1 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series B-1 Bonds are to be redeemed, discounted to the date on which the Series B-1 Bonds are to be redeemed on a semiannual basis, assuming a 360-day year containing twelve 30 day months, at the Treasury Rate, plus 100 basis points, plus in each case accrued interest on the Series B-1 Bonds to be redeemed to the redemption date.

For the purpose of determining the Make-Whole Redemption Price, “**Treasury Rate**” means, with respect to any redemption date for a particular Series B-1 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the “Statistical Release”) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if the Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series B-1 Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

The term “**Extraordinary Event**” means (a) a final determination by the Internal Revenue Service (“IRS”) (after the School District has exhausted all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status; (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status; (c) the occurrence of a material adverse change under Section 54F or 6431 of the Code; (d) the publication by the IRS or the United States Treasury of any guidance with respect to such sections; or (e) any other determination by the IRS or the United States Treasury, which determination is not the result of a failure of the School District to satisfy certain requirements of the Bond Resolution and the tax certificate of the School District relating to the Series B-1 Bonds (the “Series B-1 Tax Certificate”), if as a result of an event as described in (c), (d), or (e) of this sentence, the Direct Subsidy payments expected to be received with respect to the Series B-1 Bonds are eliminated or reduced, as reasonably determined by the Superintendent of the School District or his or her designee, which determination shall be conclusive.

The term “**Accountable Event of Loss of Qualified School Construction Bond Status**” means (i) any act or any failure to act on the part of the School District constituting a breach of a covenant or agreement thereof contained in the Bond Resolution and Series B-1 Tax Certificate which causes such Series B-1 Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds within the meaning of Section 54F of the Code, or (ii) the making by the School District of any representation contained in the Bond Resolution and the Series B-1 Tax Certificate, as applicable, which was untrue when made and the untruth of which representation at such time causes the Series B-1 Bonds to lose their

status, or fail to qualify, as Qualified School Construction Bonds within the meaning of Section 54F of the Code.

The term “**Date of Loss of Qualified School Construction Bond Status**” is the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Series B-1 Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds as defined in Section 54F of the Code as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of initial issuance and delivery of the Series B-1 Bonds.

The term “**Determination of Loss of Qualified School Construction Bond Status**” means (i) a final determination by the IRS (after the School District has exhausted or waived all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status and the amount of Series B-1 Bonds that are subject to the Accountable Event of Loss of Qualified School Construction Bond Status, or (ii) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

Extraordinary Mandatory Redemption. The Series B-1 Bonds are subject to extraordinary mandatory redemption, in whole or in part, on, February 23, 2014, at a redemption price equal to the principal amount of the Series B-1 Bonds called for redemption, in an amount equal to the unexpended proceeds of the sale of the Series B-1 Bonds then held by the School District, but only to the extent that the School District fails to expend all of the proceeds of the Series B-1 Bonds for certain qualified purposes as required by Section 54F of the Code within three years of issuance thereof and no extension of the period for expenditure has been granted by the IRS.

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

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than 30 nor more than 45 days prior to the redemption date (i) by registered or certified mail to the respective registered owners thereof at the addresses appearing on the bond registration books, (ii) by registered or certified mail or overnight delivery service to the Securities Depositories described below, and (iii) by registered or certified mail, telephonically confirmed transmission or overnight delivery service to one or more of the Information Services described below. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate or Accretion Rate, as applicable, and stated maturity date of each Bond to be redeemed in whole or in part. Such notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued or accreted to the redemption date, and that from and after such date, interest with respect thereto will cease to accrue or accrete.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041.

“Securities Depositories” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000 or (212) 855-7320.

The actual receipt by the owner of any Bond or of any Securities Depository or Information Service of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice mailed, will not affect the validity of the proceedings for the redemption of such Bond or the cessation of interest on the date fixed for redemption. A certificate of the Paying Agent or the School District that notice of call and redemption has been given to owners and the appropriate Securities Depositories or Information Services will be conclusive as against all parties.

Payment of Redeemed Bonds. When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for the purpose in the Debt Service Fund, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the Debt Service Fund, and no interest will accrue on such Bonds called for redemption after the redemption date specified in such notice, and the owners of said Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the premium thereon only to the Debt Service Fund. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered (the “Transfer Amount”). Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County, the School District and the Improvement District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

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

Sinking Fund Payments on the Series B-1 Bonds

Notwithstanding that the Series B-1 Bonds are not subject to mandatory sinking fund redemption prior to their stated maturity dates, the School District shall be obligated to make mandatory sinking fund payments on the Series B-1 Bonds maturing on August 1, 2020 in the years and in the amounts set forth in the following table. Such amounts shall be used to make the final principal payment due on such Series B-1 Bonds. The County shall levy an *ad valorem* property tax in the corresponding years sufficient to meet such sinking fund payment obligation. Such *ad valorem* tax levies shall be in addition to tax levies made to meet the semi-annual interest payment obligations on the Series B-1 Bonds.

<u>Bond Year</u> <u>Ending August 1</u>	<u>Sinking Fund Deposit</u>
2012	\$353,000
2013	488,000
2014	550,000
2015	576,000
2016	603,000
2017	612,000
2018	684,000
2019	718,000
2020 ⁽¹⁾	816,000

⁽¹⁾ Maturity.

Notwithstanding that the Series B-1 Bonds are not subject to mandatory sinking fund redemption prior to their stated maturity dates, the School District shall be obligated to make mandatory sinking fund payments on the Series B-1 Bonds maturing on February 1, 2026 in the years and in the amounts set forth in the following table. Such amounts shall be used to make the final principal payment due on such Series B-1 Bonds. The County shall levy an *ad valorem* property tax in the corresponding years sufficient to meet such sinking fund payment obligation. Such *ad valorem* tax levies shall be in addition to tax levies made to meet the semi-annual interest payment obligations on the Series B-1 Bonds.

<u>Bond Year</u> <u>Ending August 1</u>	<u>Sinking Fund Deposit</u>
2021	\$790,000
2022	875,000
2023	980,000
2024	1,140,000
2025	1,335,000
2026 ⁽¹⁾	1,280,000

⁽¹⁾ Maturity date of February 1, 2026.

Defeasance

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

- (a) Cash: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the School District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal, interest and premium, if any; or
- (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the School District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

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

“Government Obligations” means direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service or Standard & Poor’s. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed “AAA” by Standard & Poor’s or “Aaa” by Moody’s Investors Service.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the School District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (the “Bond Register”). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal or accreted value of and premium, if any, and interest on any Bond will be made only to or upon the order of that person; neither the Improvement District, the School District, the County, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be

changed as provided in the Bond Resolution. All such payments will be valid and effectual to satisfy and discharge the Improvement District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

In all cases of exchanged or transferred Bonds, the County shall sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the Improvement District, evidencing the same debt, and entitled to the same security and benefit under the Bond Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be canceled by the Paying Agent. The School District and the County may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the School District and the County may have acquired in any manner whatsoever, and those Bonds shall be promptly canceled by the Paying Agent. As requested by the County, written reports of the surrender and cancellation of Bonds shall be made to the School District and the County by the Paying Agent. The canceled Bonds shall be retained for two years, then returned to the School District or destroyed by the Paying Agent as directed by the School District.

Neither the School District, the Improvement District, the County, nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

Sources of Funds	Series B Bonds	Series B-1 Bonds	Total
Principal Amount of Bonds	\$13,199,720.75	\$11,800,000.00	\$24,999,720.75
Net Original Issue Premium	<u>1,090,100.55</u>	<u>--</u>	<u>1,090,100.55</u>
Total Sources	<u>\$14,289,821.30</u>	<u>\$11,800,000.00</u>	<u>\$26,089,821.30</u>
Uses of Funds			
Series B Building Fund	\$13,199,720.75	--	\$13,199,720.75
Series B-1 Building Fund	--	\$11,800,000.00	11,800,000.00
Debt Service Fund	434,807.23	--	434,807.23
Costs of Issuance ⁽¹⁾	<u>655,293.32</u>	<u>--</u>	<u>655,293.32</u>
Total Uses	<u>\$14,289,821.30</u>	<u>\$11,800,000.00</u>	<u>\$26,089,821.30</u>

⁽¹⁾ Includes Underwriter's discount, legal fees, printing costs, bond insurance premium, rating agency fees and other costs of issuance.

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DEBT SERVICE SCHEDULE FOR THE BONDS

The following table summarizes the annual debt service requirements of the Bonds (assuming no optional redemptions are made):

Year Ending Aug. 1	SERIES B BONDS				SERIES B-1 BONDS		
	Current Interest Bonds		Capital Appreciation Bonds		Current Interest Bonds		
	Annual Principal Payment	Annual Interest Payment ⁽¹⁾	Annual Principal Payment ⁽²⁾	Annual Accreted Interest Payment ⁽²⁾	Annual Principal Payment	Annual Interest Payment ^{(1) (3)}	Total Annual Debt Service Payment
2011	--	\$107,966.67	--	--	--	\$326,840.56	\$434,807.23
2012	--	246,000.00	--	--	--	744,700.00	990,700.00
2013	--	246,000.00	--	--	--	744,700.00	990,700.00
2014	--	246,000.00	--	--	--	744,700.00	990,700.00
2015	--	246,000.00	--	--	--	744,700.00	990,700.00
2016	--	246,000.00	--	--	--	744,700.00	990,700.00
2017	--	246,000.00	--	--	--	744,700.00	990,700.00
2018	--	246,000.00	--	--	--	744,700.00	990,700.00
2019	--	246,000.00	--	--	--	744,700.00	990,700.00
2020	--	246,000.00	--	--	\$5,400,000.00	744,700.00	6,390,700.00
2021	--	246,000.00	--	--	--	428,800.00	674,800.00
2022	--	246,000.00	--	--	--	428,800.00	674,800.00
2023	--	246,000.00	--	--	--	428,800.00	674,800.00
2024	--	246,000.00	--	--	--	428,800.00	674,800.00
2025	--	246,000.00	--	--	--	428,800.00	674,800.00
2026	\$155,000.00	246,000.00	--	--	6,400,000.00	214,400.00	7,015,400.00
2027	1,515,000.00	236,700.00	--	--	--	--	1,751,700.00
2028	1,505,000.00	145,800.00	--	--	--	--	1,650,800.00
2029	925,000.00	55,500.00	\$109,330.50	\$580,669.50	--	--	1,670,500.00
2030	--	--	286,780.00	1,713,220.00	--	--	2,000,000.00
2031	--	--	282,206.25	1,892,793.75	--	--	2,175,000.00
2032	--	--	616,402.50	4,633,597.50	--	--	5,250,000.00
2033	--	--	571,200.00	2,428,800.00	--	--	3,000,000.00
2034	--	--	1,125,202.50	5,324,797.50	--	--	6,450,000.00
2035	--	--	1,074,747.00	5,625,253.00	--	--	6,700,000.00
2036	--	--	1,034,250.00	5,965,750.00	--	--	7,000,000.00
2037	--	--	997,910.00	6,302,090.00	--	--	7,300,000.00
2038	--	--	961,020.00	6,638,980.00	--	--	7,600,000.00
2039	--	--	935,600.00	7,064,400.00	--	--	8,000,000.00
2040	--	--	865,120.00	7,134,880.00	--	--	8,000,000.00
2041	--	--	<u>239,952.00</u>	<u>2,160,048.00</u>	--	--	<u>2,400,000.00</u>
Total	<u>\$4,100,000.00</u>	<u>\$4,235,966.67</u>	<u>\$9,099,720.75</u>	<u>\$57,465,279.25</u>	<u>\$11,800,000.00</u>	<u>\$9,387,540.56</u>	<u>\$96,088,507.23</u>

⁽¹⁾ Interest payments on Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2011.

⁽²⁾ The Capital Appreciation Bonds are payable only at maturity on August 1 of the years indicated above, and interest on such Capital Appreciation Bonds will accrete from the Date of Delivery, compounded semiannually on February 1 and August 1, commencing on August 1, 2011.

⁽³⁾ Reflects gross interest payments with respect to the Series B-1 Bonds; does not reflect the anticipated receipt of Subsidy Payments with respect thereto.

See "SCHOOL DISTRICT FINANCIAL INFORMATION – School District Debt Structure – General Obligation Bonds" for a table of the total annual debt service requirements for the School District's outstanding general obligation bonded debt.

APPLICATION OF PROCEEDS OF BONDS

The Series B Bonds are being issued to (i) acquire, upgrade, construct, improve and equip certain elementary school property and facilities within the Improvement District, as specified in a list submitted to and approved by the voters of the Improvement District, (ii) refund the 2008 Certificates, and (iii) pay the costs of issuing the Bonds. The Series B-1 Bonds are being issued to (i) acquire, upgrade, construct, improve and equip certain elementary school property and facilities within the Improvement District, as specified in a list submitted to and approved by the voters of the Improvement District, and (ii) pay the costs of issuing the Bonds.

The proceeds of the sale of the Series B Bonds shall be deposited in the Alhambra Unified School District Elementary Schools Improvement District, Election of 2008 General Obligation Bonds, Series B Building Fund (the "Series B Building Fund"). The proceeds of the sale of the Series B-1 Bonds shall be deposited in the Alhambra Unified School District Elementary Schools Improvement District, Election of 2008 General Obligation Bonds, Series B-1 Building Fund (the "Series B-1 Building Fund," and, together with the Series B Building Fund, the "Building Funds"). Any interest earnings on moneys held in the Building Funds shall be retained in such respective Building Fund.

The School District shall cause a portion of the proceeds of the Series B Bonds initially deposited into the Series B Building Fund to be paid to U.S. Bank National Association, acting as trustee for the 2008 Certificates (the "Trustee"), to the credit of the prepayment fund held by the Trustee (the "Prepayment Fund"). Pursuant to that certain trust agreement, dated as of May 1, 2008, by and among the District, the Trustee, and the Alhambra Unified School District Financing Corporation (the "Trust Agreement"), the amount deposited in the Prepayment Fund, together with other monies held by the Trustee under the Trust Agreement, will be used to pay the principal and interest due on the 2008 Certificates to the date set for prepayment.

Any premium received by the County from the sale of the Bonds shall be kept separate and apart in the Debt Service Fund for the Bonds and used only for payment of principal and Maturity Value of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal and Maturity Value of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the School District.

Moneys in the Building Funds are authorized to be invested in any one or more investments generally permitted to school districts under the laws of the State of California or as permitted by the Resolution, including guaranteed investment contracts. Moneys in the Building Funds and the Debt Service Funds are expected to be invested through the Los Angeles County Treasury Pool. See "LOS ANGELES COUNTY TREASURY POOL" herein.

LOS ANGELES COUNTY INVESTMENT POOL

The following information has been provided by the County Treasurer (defined herein), and neither the School District nor the Underwriter take any responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer at <http://ttc.lacounty.gov>.

The Los Angeles County Pooled Surplus Investments

The Treasurer and Tax Collector of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of December 31, 2010, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$10.310
Schools and Community Colleges	13.880
Independent Public Agencies	<u>2.268</u>
Total	\$26.458

Of these entities, the involuntary participants accounted for approximately 91.43%, and all discretionary participants accounted for 8.57% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 30, 2010, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated January 31, 2011, the December 31, 2010 book value of the Treasury Pool was approximately \$26.458 billion and the corresponding market value was approximately \$26.415 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of December 31, 2010.

<u>Type of Investment</u>	<u>% of Pool</u>
U.S. Government and Agency Obligations	49.16%
Certificates of Deposit	11.86
Commercial Paper	34.74
Bankers Acceptances	0.10
Municipal Obligations	0.17
Corporate Notes & Deposit Notes	3.97
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	<u>0.00</u>
Total	100.00

The Treasury Pool is highly liquid. As of December 31, 2010, approximately 46.16% of the investments mature within 60 days, with an average of 617.45 days to maturity for the entire portfolio.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING IMPROVEMENT DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity 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 “THE BONDS – Security” herein.) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this Appendix to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and the School District spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The taxes levied by the County for payment of the Bonds were approved by the voters of the Improvement District in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

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

levied by the County to pay debt service on the Bonds. See “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of 66.67% or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by 66.67% or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Improvement District No. 4 Bonds falls within the exception identified in clause (c) of the preceding sentence. In addition, Article XIII A requires the approval of 66.67% or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

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

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

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

Article XIII B of the California Constitution

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

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a 66.67% vote. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a 66.67% vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Article XIII C also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State

impose a mandatory, statutory duty on the County to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the School District and the County with respect to such taxes which are pledged as security for payment of the Bonds. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Proposition 26

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

Propositions 98 and 111

On November 8, 1988, voters 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 current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990

level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than 66.67%) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the Bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the School District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive 66.67% voter approval after July 1, 1978.

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure.

Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

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 from one fiscal year to the next. These "cross-year" deferrals have been largely codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2010-11 provided for additional inter-fiscal year deferrals. On March 1, 2010, the Governor signed into law Assembly Bill No. 5 of the Eighth Extraordinary Session of the California Legislature ("ABX8 5") which enacted various provisions to enable the State to effectively manage its cash resources. On March 22, 2010, the Governor signed into law Assembly Bill No. 14 of the Eighth Extraordinary Session of the California Legislature ("ABX8 14," and together with ABX8 5, the "Cash Management Legislation"), which bill amended and clarified certain provisions of ABX8 5. With respect to the funding of school districts in fiscal year 2010-11, the Cash Management Legislation authorizes the deferral of all State apportionments due in July 2010, October 2010 and March 2011 by no more than 60, 90 or 60 days, respectively (the "Cash Management Deferrals"). None of the Cash Management Deferrals may exceed \$2.5 billion at any one time. The State Controller, State Treasurer and State Director of Finance are also authorized, upon the joint concurrence thereof, to accelerate or delay any of the Cash Management Deferrals by up to one month.

In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible. Finally, the Cash Management Legislation also provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for an exemption from any of the Cash Management Deferrals.

Pursuant to the provisions of the Cash Management Legislation, on March 30, 2010 the State Controller, State Treasurer and Director of Finance jointly provided a written declaration of the expected amounts and timing of apportionment deferrals for fiscal year 2010-11. On April 16, 2010, the State Department of Education issued a letter informing school districts that all three Cash Management Deferrals would be implemented, each for the maximum authorized amount of \$2.5 billion, as follows: (i) the July 2010 apportionment was deferred for 60 days to September 2010; (ii) the October 2010 apportionment was deferred 90 days until January 2011; and (iii) the March 2011 apportionment was deferred until April 29, 2011. On August 23, 2010, the Director of Finance issued a letter informing various public officials, including the State Department of Education, that the deferral of the October 2010 apportionment will be accelerated by one month, to September 2010.

As an additional cash management measure, the Governor, on October 19, 2010, approved trailer legislation to the 2010-11 Budget ("AB 1610") which amended existing Education Code provisions providing for cross-fiscal year deferrals of State apportionments to school districts. Specifically, AB

1610 increased the existing April-to-July deferral by \$420,000,000 and the existing May-to-July deferral by \$800,000,000.

Recent Litigation Regarding State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the “Robles Complaint”) in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State’s current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State’s system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State’s prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution.

The School District is not a party to the Robles Complaint. The School District cannot predict whether any of the plaintiffs listed in the Robles Complaint will be successful, what the potential remedies would be or the State’s response to any such remedies. The School District makes no representation with regards to how any final court decision with respect to the Robles Complaint would affect the financial status of the School District or the State.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting the School District’s revenues or the School District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the School District.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in each District as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

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

Property within the Improvement District has a net taxable assessed valuation for fiscal year 2010-11 of \$10,102,959,664. Shown in the following table are the assessed valuations for the Improvement District since fiscal year 2001-02.

**ASSESSED VALUATION
FISCAL YEARS 2001-02 through 2010-11
Alhambra Unified School District
Elementary Schools Improvement District**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2001-02	\$5,856,154,290	\$2,375,159	\$290,570,581	\$6,149,100,030
2002-03	6,161,105,121	2,320,747	275,874,465	6,439,300,333
2003-04	6,626,458,929	3,868,082	253,662,746	6,883,989,757
2004-05	7,086,509,490	7,999,545	271,482,013	7,365,991,048
2005-06	7,679,170,285	6,407,331	284,232,895	7,969,810,511
2006-07	8,373,254,309	6,074,646	258,118,476	8,637,447,431
2007-08	9,083,168,322	4,536,434	240,989,998	9,328,694,754
2008-09	9,580,207,007	4,536,434	250,390,533	9,835,133,974
2009-10	9,784,528,542	4,543,434	244,563,549	10,033,635,525
2010-11	9,857,604,894	4,492,934	240,861,836	10,102,959,664

Source: California Municipal Statistics, Inc.

The following table is an analysis of the Improvement District's assessed valuation by jurisdiction:

2010-11 ASSESSED VALUATION BY JURISDICTION⁽¹⁾

**Alhambra Unified School District
Elementary Schools Improvement District**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Alhambra	\$6,790,836,637	67.22%	\$6,835,743,495	99.34%
City of Monterey Park	3,309,871,037	32.76	5,448,783,024	60.75%
City of San Gabriel	<u>2,251,990</u>	<u>0.02</u>	<u>3,770,851,330</u>	0.06%
Total Los Angeles County	\$10,102,959,664	100.00%	\$1,051,339,770,002	0.96%

⁽¹⁾ Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

The following table is an analysis of the Improvement District's secured assessed valuation by land use:

2010-11 ASSESSED VALUATION BY LAND USE

**Alhambra Unified School District
Elementary Schools Improvement District**

	<u>2010-11 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Commercial	\$1,636,836,842	16.60%	1,554	5.49%
Vacant Commercial	56,283,432	0.57	142	0.50
Industrial	357,819,765	3.63	360	1.27
Vacant Industrial	13,216,171	0.13	79	0.28
Recreational	62,791,011	0.64	26	0.09
Government/Social/Institutional	<u>82,181,613</u>	<u>0.83</u>	<u>224</u>	<u>0.79</u>
Subtotal Non-Residential	\$2,209,128,834	22.41%	2,385	8.42%
Residential:				
Single Family Residence	\$4,168,401,331	42.29%	15,887	56.09%
Condominium/Townhouse	1,311,206,979	13.30	5,492	19.39
Mobile Home Park	6,742,224	0.07	5	0.02
2-4 Residential Units	1,039,751,458	10.55	3,151	11.12
5+ Residential Units/Apartments	1,070,824,186	10.86	1,212	4.28
Vacant Residential	<u>51,549,882</u>	<u>0.52</u>	<u>194</u>	<u>0.68</u>
Subtotal Residential	\$7,648,476,060	77.59%	25,941	91.58%
Total	\$9,857,604,894	100.00%	28,326	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

The following table is an analysis of the 2010-11 assessed valuations of single family residential parcels within the Improvement District.

2010-11 ASSESSED VALUATION OF SINGLE FAMILY HOMES

Alhambra Unified School District Elementary Schools Improvement District

Single Family Residential	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	15,887	\$4,168,401,331	\$262,378	\$244,054

2010-11 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	25	0.157%	0.157%	\$313,636	0.008%	0.008%
\$25,000 - \$49,999	594	3.739	3.896	26,005,526	0.624	0.631
\$50,000 - \$74,999	1,406	8.850	12.746	86,935,144	2.086	2.717
\$75,000 - \$99,999	1,386	8.724	21.470	120,327,452	2.887	5.604
\$100,000 - \$124,999	740	4.658	26.128	82,184,621	1.972	7.575
\$125,000 - \$149,999	649	4.085	30.213	89,410,978	2.145	9.720
\$150,000 - \$174,999	643	4.047	34.261	104,866,609	2.516	12.236
\$175,000 - \$199,999	796	5.010	39.271	149,443,050	3.585	15.821
\$200,000 - \$224,999	986	6.206	45.477	209,681,430	5.030	20.851
\$225,000 - \$249,999	951	5.986	51.463	225,677,199	5.414	26.265
\$250,000 - \$274,999	959	6.036	57.500	251,803,421	6.041	32.306
\$275,000 - \$299,999	842	5.300	62.800	242,240,836	5.811	38.117
\$300,000 - \$324,999	796	5.010	67.810	248,796,803	5.969	44.806
\$325,000 - \$349,999	804	5.061	72.871	270,908,674	6.499	50.585
\$350,000 - \$374,999	642	4.041	76.912	232,321,295	5.573	56.159
\$375,000 - \$399,999	530	3.336	80.248	205,407,596	4.928	61.086
\$400,000 - \$424,999	478	3.009	83.257	197,149,832	4.730	65.816
\$425,000 - \$449,999	481	3.028	86.284	210,296,552	5.045	70.861
\$450,000 - \$474,999	416	2.618	88.903	192,366,093	4.615	75.476
\$475,000 - \$499,999	383	2.411	91.314	186,747,634	4.480	79.956
\$500,000 and greater	1,380	8.686	100.000	835,516,950	20.044	100.000
Total	15,887	100.000%		\$4,168,401,331	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Taxation of State-Assessed Utility Property

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

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The School District is unable to predict the impact of these changes on their utility property tax revenues, or whether legislation or litigation may affect

ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing entities, including the Improvement District.

Because the School District is a not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "SCHOOL DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Alternative Method of Tax Apportionment

Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **Los Angeles County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the School District and the Improvement District. The School District's receipt of property taxes is therefore subject to delinquencies. See "TAX BASE FOR REPAYMENT OF THE BONDS – Tax Levies, Collections and Delinquencies" herein.**

Tax Levies, Collections and Delinquencies

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County's taxing boundaries. The following table shows the annual secured tax levies and delinquencies for the Improvement District between fiscal year 2003-04 and 2009-10.

SECURED TAX CHARGES AND DELINQUENCIES

Fiscal Years 2003-04 through 2009-10

Alhambra Unified School District

Elementary Schools Improvement District

	Secured <u>Tax Charge</u> ⁽¹⁾	Amt. Del. <u>June 30</u>	% Del. <u>June 30</u>
2003-04	\$1,297,092.05	\$16,449.50	1.27%
2004-05	1,375,939.40	33,446.12	2.43
2005-06	1,519,140.64	29,496.61	1.94
2006-07	1,537,727.80	30,045.77	1.95
2007-08	1,585,403.43	36,692.24	2.31
2008-09	1,670,807.28	42,363.25	2.54
2009-10	2,689,418.22	55,081.85	2.05

⁽¹⁾ Debt service levy for the Elementary School District's 1999 Series A and B Bonds, and 2005 Refunding Bonds (defined herein).

Source: *California Municipal Statistics, Inc.*

Tax Rates

The following tables summarize the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the Improvement District between fiscal years 2006-07 and 2010-11.

SUMMARY OF *AD VALOREM* TAX RATES

Alhambra Unified School District Elementary Schools Improvement District

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles County	.000663	--	--	--	--
Alhambra Unified School District	.059421	.054601	.036249	.051513	.059959
Los Angeles Community College District	.021462	.008794	.022115	.023112	.040310
Los Angeles County Flood Control	.000052	--	--	--	--
San Gabriel Valley Municipal Water	<u>.020000</u>	<u>.020000</u>	<u>.018000</u>	<u>.018000</u>	<u>.018000</u>
Total	1.101598%	1.083395%	1.076364%	1.092625%	1.118269%

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest property taxpayers in the Improvement District as determined by secured assessed valuation in fiscal year 2010-11.

LARGEST 2010-11 LOCAL SECURED PROPERTY TAXPAYERS

Alhambra Unified School District Elementary Schools Improvement District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2010-11 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Alhambra Office Community LLC	Office Building	\$185,119,808	1.88%
2.	Los Angeles Corporate Center LLC	Office Building	72,477,818	0.74
3.	Atlantic Times Square II LLC	Commercial	64,201,590	0.65
4.	Garfield Calmed Investment LP	Hospital	42,683,180	0.43
5.	GMS Five LLC	Shopping Center	26,081,271	0.26
6.	MPM Partners LLC	Shopping Center	25,236,138	0.26
7.	Alhambra Realty LLC	Shopping Center	24,938,148	0.25
8.	International Extrusion Corp.	Industrial	23,504,575	0.24
9.	Atlantic Shopping Center LP	Shopping Center	22,004,205	0.22
10.	Price Co.	Commercial	19,142,171	0.19
11.	HD Development of Maryland Inc.	Industrial	18,287,790	0.19
12.	Kohls Department Stores Inc.	Commercial	16,708,166	0.17
13.	901 Corporate Center LP	Office Building	15,700,000	0.16
14.	Monterey Park Calmed Investment LP	Hospital	15,466,738	0.16
15.	Medical Property Partners LLC	Medical Buildings	14,547,374	0.15
16.	ASP Realty Inc.	Commercial	13,948,277	0.14
17.	Raymand and Main Retail LLC	Commercial	13,779,264	0.14
18.	Alhambra Renaissance LLC	Recreational	13,468,816	0.14
19.	Kent H. Landsberg Co. Inc.	Industrial	13,368,212	0.14
20.	Mar Center LLC	Commercial	<u>13,101,815</u>	<u>0.13</u>
			\$653,765,356	6.63%

⁽¹⁾ 2010-11 local secured assessed valuation: \$9,857,604,894.

Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below are direct and overlapping debt report regarding the Improvement District (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective as of December 20, 2010, for debt issued as of February 1, 2011. The Debt Report are included for general information purposes only. The School District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the respective District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the Improvement District; and (3) the third column is an apportionment of the dollar amount of each public agency’s outstanding debt (which amount is not shown in the table) to property in the Improvement District, as determined by multiplying the total outstanding debt of each agency by the percentage of the Improvement District’s assessed valuation represented in column 2.

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Alhambra Unified School District
Elementary Schools Improvement District

2010-11 Assessed Valuation: \$10,102,959,664
 Redevelopment Incremental Valuation: (1,824,718,935)
 Adjusted Assessed Valuation: \$8,278,240,729

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 2/1/11</u>
Los Angeles County Flood Control District	0.895%	\$623,010
Metropolitan Water District	0.003	7,652
Los Angeles Community College District	1.552	54,890,282
Alhambra Unified School District School Facilities Improvement District No. 1	100.000	24,999,987⁽²⁾
Alhambra City Elementary School District	100.000	22,034,201
Alhambra Unified School District	75.387	60,015,361
City of Alhambra Public Works Assessment District	99.980	3,978,209
Los Angeles County Regional Park and Open Space Assessment District	0.881	<u>1,738,081</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$168,286,783

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.881%	\$13,320,711
Los Angeles County Pension Obligations	0.881	1,043,863
Los Angeles County Superintendent of Schools Certificates of Participation	0.881	107,525
Alhambra Unified School District Certificates of Participation	75.387	8,726,045
City of Alhambra General Fund Obligations	99.955	21,335,395
City of Monterey Park Pension Obligations	58.814	9,913,100
Los Angeles County Sanitation District No. 2 Authority	7.136	2,357,322
Los Angeles County Sanitation District No. 16 Authority	17.429	<u>3,672,129</u>
GROSS OVERLAPPING GENERAL FUND DEBT		\$60,476,090
Less: Los Angeles County General Fund Obligations supported by landfill revenues		<u>165,965</u>
NET OVERLAPPING GENERAL FUND DEBT		\$60,310,125

GROSS COMBINED TOTAL DEBT	\$228,762,873⁽³⁾
NET COMBINED TOTAL DEBT	\$228,596,908

- (1) Based on 2009-10 ratios.
 (2) Excludes the Bonds described herein.
 (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt (\$24,999,987).....0.25%
 Total Direct and Overlapping Tax and Assessment Debt.....1.67%

Ratios to Adjusted Assessed Valuation:
 Gross Combined Total Debt2.76%
 Net Combined Total Debt.....2.76%

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

Source: California Municipal Statistics, Inc.

THE IMPROVEMENT DISTRICT

General Description

The Bonds are being issued by the School District on behalf of the Improvement District. On July 15, 2008, the Improvement District was established by the Board of Education of the School District pursuant to its Resolution No. 08-09-04 and the Education Code of the State of California.

With respect to the 2008 Authorization, the Board of Education ordered a general election of the registered voters residing in the territory of the Improvement District, which was held on November 4, 2008. At this election, the requisite fifty five percent the voters voting on the measure approved the issuance of not-to-exceed \$50,000,000 principal amount of general obligation bonds for the Improvement District.

Location and Territory

The Improvement District is located in the western portion of the School District, and includes within its boundaries all of the City of Alhambra and portions of the Cities of Monterey Park and San Gabriel. The Improvement District includes all of the territory formerly within the Elementary School District, except for the territory currently lying within the boundaries of the Garvey School District. See “APPENDIX A – Location Map of the Improvement District” herein. The area of the Improvement District is about 11.75 square miles, representing about 72% of the territory of the School District. The Improvement District serves a population of approximately 130,000 residents, accounting for approximately 85% of the total population of the School District.

Governing Board

The Board of Education of the School District serves as the governing board of the Improvement District. See “THE SCHOOL DISTRICT – Administration” herein.

THE SCHOOL DISTRICT

General Information

The School District was established on July 1, 2004, upon the unification of the Alhambra City Elementary School District and the Alhambra High School District. The School District includes in its boundaries all of the City of Alhambra and certain portions of the Cities of Monterey Park and San Gabriel. The School District covers approximately 16.4 square miles, operates 13 K-8 schools, three comprehensive high schools, one continuation high school, an adult education center, and an alternative high school. The School District serves a population of approximately 178,200 residents and has a projected average daily attendance for fiscal year 2010-11 of 17,840 students.

Administration

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Adele Andrade-Stadler	President	November 2012
Patricia J. MacKintosh	Vice President	November 2012
Chester Chau	Clerk	November 2014
Jane Anderson	Member	November 2012
Robert Gin	Member	November 2014

The management and policies of the School District are administered by a Superintendent appointed by the Board, who is responsible for the day-to-day School District operations as well as the supervision of the School District's other personnel. Currently, Donna M. Pérez is the Superintendent of the School District. Brief biographies of key personnel are listed below.

Donna M. Pérez, Superintendent. Mrs. Pérez has served as Superintendent of the School District since July of 2007. An educator in the School District for 40 years, Mrs. Pérez has served as a Teacher, Administrative Intern, Assistant Principal, Principal, District Curriculum Coordinator K-12, Director of Elementary Education, Director of Educational Services & Staff Development K-12, Director of Human Resources-Certificated & Classified and Assistant Superintendent of Educational Services. Mrs. Pérez received her Master of Arts degree in Child Development from the California State University at Los Angeles and her Bachelor of Arts degree in Social Science from the University of California, Los Angeles. She holds a California Administrative Services Credential and a California Bilingual/Crosscultural Language and Academic Development (Spanish) Certificate as well as a California Standard Elementary Credential and Community College Instructor Certificate.

Cynthia L. Martin, Chief Operations Officer. Ms. Martin has served the Alhambra Unified School District for almost nine years. Prior to being appointed Chief Operations Officer in November 2008, she served as Assistant Superintendent-Business Services from January 2004 through November 2008 and from September 2000 through July 2002. Ms. Martin received her Masters of Science degree in Administration-Concentration in School Business from Pepperdine University, and a Bachelor of Science degree in Business Administration from California Baptist University, Riverside. Ms. Martin has worked in School Business Administration for districts in Los Angeles, Orange and San Diego counties for over 18 years.

Harold Standerfer, Deputy Superintendent. Mr. Standerfer has served the Alhambra Unified School District for twelve years. Prior to coming to the School District in 1999, Mr. Standerfer was employed by the Los Angeles County Office of Education (LACOE) for five years. Prior to working for LACOE he was employed in several school districts as a teacher and administrator, for a total of thirty-three years of service in public education. Mr. Standerfer holds a Masters of Science degree in Psychology, a Bachelor of Arts degree in Psychology, and a variety of credentials from several institutions of higher education.

Denise R. Jaramillo, Assistant Superintendent, Financial Services. Mrs. Jaramillo has served the School District for 24 years. Prior to being appointed Assistant Superintendent of Financial Services in November 2008, she held a variety of positions including Director of Fiscal Services, Director of Curriculum & Instruction, Coordinator of Special Projects, Principal, Assistant Principal, and classroom

teacher. Mrs. Jaramillo holds a Master of Science degree in Educational Administration from Pepperdine University, a Bachelor of Arts degree in Child Development from the California State University, Los Angeles, and a Certificate in School Business Management from the University of Southern California.

Average Daily Attendance and Enrollment

The total average daily attendance for the 2010-11 academic year is projected to be 17,840 students. On average throughout the School District, the pupil:teacher ratio is approximately 20-to-1 in grades Kindergarten through 3, 33-to-1 in grades 4 through 8, and 36-to-1 in grades 9 through 12. The School District has fully implemented class size reduction in grades Kindergarten through third.

The following table shows the average daily attendance and enrollment for the School District for the last nine years and an estimate for fiscal year 2010-11.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT Fiscal Year 2001-02 through 2010-11 Alhambra Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Enrollment</u>
2001-02	18,898	19,669
2002-03	19,043	19,786
2003-04	18,813	19,715
2004-05	18,978	19,673
2005-06	18,546	19,442
2006-07	18,571	19,149
2007-08	18,344	18,976
2008-09	18,131	18,749
2009-10	17,893	18,541
2010-11 ⁽¹⁾	17,840	18,380

Note: All amounts are rounded to the nearest whole number. For years prior to 2004-05, A.D.A. represents the combined A.D.A. and enrollment of the Elementary School District and the Alhambra High School District. Enrollment is as of the October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.

⁽¹⁾ Projected.

Source: Alhambra Unified District.

Employee Relations

The School District currently employs 900 full-time certificated employees and 624 full-time classified employees. These employees, except management and some part-time employees, are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS Alhambra Unified School District

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
California School Employees Association	900	June 30, 2011
Alhambra Teachers Association	624	June 30, 2011

Source: Alhambra Unified District.

District Retirement Systems

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

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

All full-time and some part time classified employees participate in PERS, a cost-sharing multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The School District is part of a "cost-sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contributions rate applies to each.

The School District's contributions to STRS for the fiscal years 2007-08, 2008-09 and 2009-10 were \$6,514,179, \$6,287,598 and \$6,171,208, respectively. The School District projects its STRS contribution for fiscal year 2010-11 will be \$6,000,218.

The School District's contributions to PERS for the fiscal years 2007-08, 2008-09 and 2009-10 were \$2,787,131, \$2,365,262 and \$2,389,084, respectively. The School District projects its PERS contribution for fiscal year 2010-11 will be \$2,596,436.

The School District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the School District's share. The School District is required to contribute to PERS at an actuarially determined rate, which was 10.707% of eligible salary expenditures for fiscal year 2010-11, while participants contribute 7% of their respective salaries.

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Post-Employment Medical Benefits

The School District has two plans that provide post-employment health benefits (collectively, the “Benefits”) to eligible employees.

Lifetime Plan. School District employees who meet the following requirements are eligible for benefits under the Lifetime Plan.

<u>Requirements</u>	<u>Certificated</u>	<u>Certificated Management</u>	<u>Classified Management</u>	<u>Classified</u>
Initial hire date on or before	March 31, 1986	August 31, 1984	August 31, 1984	December 31, 1984
District service in an eligible position	Fifteen years	Fifteen years	Fifteen years	Fifteen years
Minimum age at retirement	Fifty five years	Fifty five years	Fifty years	Fifty years
Eligible for STRS	Yes	No	Yes	No

Certificated employees who are between 50 and 55 with 30 years of eligible service may also qualify for benefits under this plan. Currently, 278 employees actively meet the above requirements. In addition, 221 active employees have met those requirements but have not retired. The School District contributes 100% of the amount of premium incurred by retirees for the remainder of their lifetime. Expenditures for benefits under the Lifetime Plan are recognized on a pay-as-you-go basis, as retirees report claims premiums are paid. For fiscal year 2010-11, the School District has projected \$10,741,260 as its contribution to the Lifetime Plan.

Bridge Plan. Under the Bridge Plan, School District certificated employees who meet the following criteria and retire from the School District shall receive medical benefits for the retiree, spouse or domestic partner, and eligible dependents until the retiree’s eligibility for Medicare. Requirements are retirement on or after attaining age 55 with at least 15 years of eligible service and a hire date on or after April 1, 1986, in accordance with School District employees contracts and are eligible for retirement benefits from the State. Currently, 14 employees have met those requirements and have retired and 47 employees are eligible but have not retired. Expenditures for the benefits under the Bridge Plan are recognized on a pay-as-you-go basis, as premiums are paid. For the 2010-11 fiscal year, the School District has projected \$192,868 as its contribution for the Bridge Plan.

The School District has commissioned and received an actuarial study (the “Study”) of its outstanding liability with respect to the Benefits. The Study, dated as of July 1, 2007, determined that the School District’s actuarial accrued liability (“AAL”) with respect to the Benefits was \$148.7 million. The Study also determined the annual required contribution (“ARC”) to be \$13,416,189. The ARC is the amount that would be required to fund the AAL in accordance with Governmental Accounting Standards Board Statements Nos. 43 and 45.

The School District currently has \$2.16 million set aside in a special fund to begin funding this accrued liability. This reserve fund has not been irrevocably pledged to the liability, however, and may be accessed by the School District upon Board action.

Joint Powers Authorities

The School District participates in three joint powers agencies (“JPAs”) under joint powers agreements: (1) The Alliance of Schools for Cooperation Insurance Programs which arranges for and provides property and liability insurance for its member districts located within Los Angeles and Orange Counties, (2) the Los Angeles Regionalized Insurance Services Authority which operates health and welfare programs for participating districts in Los Angeles and Orange Counties, (3) and the School Excess Liability Fund which was established as a voluntary statewide joint powers agency to pool excess

liability and excess workers' compensation coverage for participating California public industrial agencies.

The JPAs are independently accountable for their fiscal matters, and thus are not components of the School District for financial reporting purposes.

SCHOOL DISTRICT FINANCIAL INFORMATION

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

Accounting Practices

The accounting practices of the School District conforms 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 California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on June 15, 2002 for the School District, as well as for any other governmental agency with annual revenues of between \$10 million and \$100 million in the first fiscal year ending after June 15, 1999.

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

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

Financial Statements

The School District's general fund finances the legally authorized activities of the School District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the School District for the fiscal year ended June 30, 2010, and prior fiscal years are on file with the School District and available for public inspection at the office of the Chief Operations Office or the Assistant Superintendent, Fiscal Services, 1515 W. Mission Road,

Alhambra, California 91803, (626) 943-3000. Excerpts from the audited financial statements of the School District for the year ended June 30, 2010 are included in APPENDIX B hereto.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund
Fiscal Years 2005-06 through 2009-10
Alhambra Unified School District

	Audited Actuals <u>2005-06</u>	Audited Actuals <u>2006-07</u>	Audited Actuals <u>2007-08</u>	Audited Actuals <u>2008-09</u>	Audited Actuals <u>2009-10</u>
Revenue Limit Sources	\$112,785,777	\$117,286,094	\$119,775,854	\$115,749,433	\$100,758,985
Federal Revenue	14,587,903	15,178,422	13,626,049	19,418,098	22,048,486
Other State Revenue	17,449,335	25,961,673	26,991,817	23,465,219	25,573,033
Other Local Revenue	3,601,175	15,069,136	15,918,270	14,638,729	13,524,121
Tuition and Transfers	<u>9,006,990</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL REVENUES	157,431,180	173,495,295	176,311,990	173,271,479	161,904,625
EXPENDITURES:					
Certificated Salaries	70,510,381	73,863,589	76,059,945	74,404,005	73,709,795
Classified Salaries	22,738,958	23,069,574	26,101,554	24,374,112	23,761,252
Employee Benefits	36,742,402	38,312,906	41,460,745	40,155,940	38,466,757
Books & Supplies	5,792,367	8,664,099	8,317,437	5,649,595	4,822,234
Services & Operating Expenses	15,498,123	15,956,841	17,651,045	16,904,826	15,758,033
Other Outgo	1,738,101	3,261,359	3,152,721	3,653,199	3,306,742
Capital Outlay	63,513	359,805	335,834	531,848	704,022
Debt Service	--	--	--	--	--
Direct Support/Indirect Costs	<u>--</u>	<u>(630,277)</u>	<u>(601,517)</u>	<u>(612,383)</u>	<u>(339,662)</u>
TOTAL EXPENDITURES	153,083,845	162,857,946	172,477,764	165,061,142	160,189,153
Excess of Revenues over (under) Expenditures	4,347,335	10,637,349	3,834,226	8,210,337	1,715,472
OTHER FINANCING SOURCES (Uses):					
Operating Transfers In	--	--	--	--	452,830
Operating Transfers Out	(1,111,034)	(2,292,875)	(2,218,020)	(1,242,116)	(4,629,326)
Other sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(5,925)</u>	<u>--</u>
Total Other Financing Sources (Uses)	(1,111,034)	(2,292,875)	(2,218,020)	(1,248,041)	(4,176,496)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	3,236,301	8,344,474	1,616,020	6,962,296	(2,461,024)
FUND BALANCE, JULY 1	<u>9,888,642</u>	<u>13,124,943</u>	<u>21,469,417</u>	<u>23,085,623</u>	<u>30,047,919</u>
FUND BALANCE, JUNE 30	<u>\$13,124,943</u>	<u>\$21,469,417</u>	<u>\$23,085,623</u>	<u>\$30,047,919</u>	<u>\$27,586,895</u>

Source: Alhambra Unified School District.

Budget Process

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

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

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

The School District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200. In fiscal year 2001-02, the School District elected to report a "qualified" certification on its first Interim Financial Report to the County superintendent of schools. In its next Interim Financial Report, and for all periods thereafter, the School District has reported a "positive" certification.

General Fund Budgets

The School District's general fund budgets and audited and projected actuals for the fiscal years 2007-08 through 2010-11 are shown below:

GENERAL FUND BUDGET Alhambra Unified School District Fiscal Years Ending June 30, 2008 through June 30, 2011

	Adopted Budget 2007-08	Audited Actuals 2007-08	Adopted Budget 2008-09	Audited Actuals 2008-09	Adopted Budget 2009-10	Audited Actuals 2009-10	Adopted Budget 2010-11	Projected Totals 2010-11
REVENUES								
Revenue Limit Sources	\$119,848,388	\$119,775,854	\$118,358,184	\$115,749,433	\$105,866,131	\$100,758,985	\$98,611,002	\$104,463,507
Federal Revenues	15,022,573	13,626,049	14,164,692	19,418,098	2,657,875	22,048,486	19,570,972	24,756,794
Other State Revenues	24,804,118	26,991,817	23,228,180	23,465,219	27,184,483	25,573,033	25,623,574	25,306,806
Other Local Revenues	14,569,493	15,918,270	14,065,409	14,638,729	12,154,609	13,524,121	12,914,161	13,098,529
Tuition and Transfers	--	--	--	--	--	--	--	--
Total Revenues	174,244,572	176,311,990	169,816,465	173,271,479	147,863,098	161,904,625	158,719,709	167,625,636
EXPENDITURES								
Certificated Salaries	77,912,091	76,059,945	76,350,646	74,404,005	73,344,139	73,709,795	74,205,462	73,545,260
Classified Salaries	26,062,124	26,101,554	26,377,717	24,374,112	24,947,280	23,761,252	23,745,717	23,993,948
Employee Benefits	42,285,071	41,460,745	42,645,420	40,155,940	39,676,230	38,466,757	40,742,811	40,733,810
Books & Supplies	12,020,945	8,317,437	10,645,512	5,649,595	5,489,051	4,822,234	6,563,732	7,252,609
Services, Other Operating Expenses	17,469,829	17,651,045	16,993,812	16,904,826	17,988,244	15,758,033	18,193,430	18,085,297
Other Outgo	3,025,516	3,152,721	2,926,386	3,653,199	4,105,421	3,306,742	3,244,714	3,048,088
Capital Outlay	186,005	335,834	278,142	531,848	111,500	704,002	205,000	227,000
Debt Service	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Direct Support/Indirect Costs	(619,025)	(601,517)	(667,978)	(612,383)	(360,967)	(339,662)	(347,725)	(347,725)
Total Expenditures	178,342,556	172,477,764	175,549,657	165,061,142	165,300,898	160,189,153	166,553,141	166,538,287
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,097,984)	3,834,226	(5,733,192)	8,210,337	(17,437,800)	1,715,472	(9,833,432)	1,087,349
OTHER FINANCING SOURCES/(USES)								
Interfund Transfers In	--	--	--	--	--	452,830	--	--
Interfund Transfers Out	(2,221,542)	(2,218,020)	(4,229,326)	(1,242,116)	(4,229,326)	(4,629,326)	(874,601)	(1,818,237)
Other	--	--	--	(5,925)	--	--	--	--
Total Other Financing Sources (Uses)	(2,221,542)	(2,218,020)	(4,229,326)	(1,248,041)	(4,229,326)	(4,176,496)	(874,601)	(1,818,237)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Uses	(6,319,526)	1,616,020	(9,962,518)	6,962,296	(21,667,126)	(2,461,024)	(10,708,033)	(730,888)
Fund Balance (Deficit), July 1	21,469,417	21,469,417	23,085,623	23,085,623	30,047,919	30,047,919	27,586,895	27,586,895
Fund Balance (Deficit), June 30	<u>\$15,149,892</u>	<u>\$23,085,623</u>	<u>\$13,123,105</u>	<u>\$30,047,919</u>	<u>\$8,380,793</u>	<u>\$27,586,895</u>	<u>\$16,878,862</u>	<u>\$26,856,007</u>

Source: Alhambra Unified School District.

State Funding of Education

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance (“A.D.A.”). Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is counted in the calculation of A.D.A.

This change is essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. In the future, school districts which can improve their actual attendance rate will receive additional funding.

The following table shows the average daily attendance for the School District for the past eight years, and the School District’s deficated revenue limit for such period.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2003-04 through 2010-11
Alhambra Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Annual Change in A.D.A.</u>	<u>Revenue Limit Per A.D.A. ⁽¹⁾</u>
2003-04 ⁽³⁾	18,807	--	\$5,024.65
2004-05	18,802	(5)	5,644.19
2005-06	18,493	(309)	5,855.19
2006-07	18,444	(49)	6,163.19
2007-08	18,344	(100)	6,415.49
2008-09	18,131	(213)	6,744.19
2009-10	17,893	(238)	7,006.19
2010-11 ⁽⁴⁾	17,840	(53)	6,981.19

Note: All amounts are rounded to the nearest whole number.

⁽¹⁾ The State's practice of deficit revenue limit funding, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, and reinstated beginning in fiscal year 2003-04, eliminated again in fiscal year 2006-07, and reinstated again in fiscal year 2008-09.

⁽³⁾ Prior to the School District’s unification. See “THE SCHOOL DISTRICT – General Information” herein. Represents elementary school A.D.A. of approximately 10,740 students and a high school A.D.A. of approximately 8,067 students.

⁽⁴⁾ Projected.

Source: Alhambra Unified School District.

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.

Revenue Sources

The School District categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. 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 are

calculated for each school district by multiplying the A.D.A. for such district by a base revenue limit per unit of A.D.A. The revenue limit calculations are 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 School District's revenue limits is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the School District's revenue limit and its local property tax revenues.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of \$120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The School District is not a basic aid district.

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.

Revenue limit sources constituted approximately 66.8% of School District general fund revenues in fiscal year 2008-09, 62.2% of such revenues in fiscal year 2009-10, and are projected to constitute 62.3% of such revenues in fiscal year 2010-11.

Federal Revenues. The federal government provides funding for several of the School District's programs, including special education programs, programs under the No Child Left Behind Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. The federal revenues, most of which are restricted, constituted approximately 11.2% of School District revenues in 2008-09, 13.6% of such revenues in fiscal year 2009-10, and are projected to constitute 14.8% of such revenues in fiscal year 2010-11.

Other State Revenues. As discussed above, the School District receives State apportionment of basic and equalization aid in an amount equal to the difference between the School District's revenue limit and property tax revenues. In addition to such apportionment revenue, the School District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, IIUSP/High Priority Schools Grants, Healthy Start, and School Improvement Program, among others. Other State revenues comprised approximately 13.5% of School District revenues in 2008-09, 15.8% of such revenues in fiscal year 2009-10, and are projected to constitute 15.1% of such revenues in fiscal year 2010-11.

Other Local Revenues. In addition to property taxes, the School District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues comprised approximately 8.4% of School District revenues in 2008-09, 8.4% of such revenues in fiscal year 2009-10, and are projected to constitute 7.8% of such revenues in fiscal year 2010-11.

Assessed Valuations

The following table shows the taxable assessed valuation of property within the School District from 2000-01 through 2010-11.

TAXABLE ASSESSED VALUATION Fiscal Year 2000-01 to Fiscal Year 2010-11 Alhambra Unified School District⁽¹⁾

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2000-01	\$7,198,127,288	\$2,868,096	\$323,892,228	\$7,524,887,612
2001-02	7,604,629,929	3,958,414	322,895,912	7,931,484,255
2002-03	8,029,696,130	4,874,199	308,605,804	8,343,176,133
2003-04	8,647,145,722	23,285,118	288,905,359	8,959,336,199
2004-05	9,268,275,718	28,461,231	303,721,620	9,600,458,569
2005-06	10,082,043,637	25,002,134	316,809,147	10,423,854,918
2006-07	11,007,002,282	25,299,223	289,734,532	11,322,036,037
2007-08	11,970,961,180	23,514,849	278,644,132	12,273,120,161
2008-09	12,641,557,271	23,514,849	292,604,913	12,957,677,033
2009-10	12,866,013,269	7,945,615	284,902,625	13,158,861,509
2010-11	12,986,177,607	7,889,115	282,928,092	13,276,994,814

⁽¹⁾ The information for fiscal years 2000-01 through 2003-04 is for the former Alhambra City High School District. The information for fiscal years 2004-05 through 2006-07 includes Garvey School District portion of the former Alhambra City High School District.

Source: California Municipal Statistics, Inc.

School District Debt Structure

Short Term Debt. On July 1, 2010, the School District issued \$5,000,000 of fiscal year 2010-11 tax and revenue anticipation notes (the "Notes"). The Notes mature on June 30, 2011, and yield 2.00% interest. The Notes were sold to supplement the School District's cash flow.

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2010 is shown below:

SCHEDULE OF LONG TERM DEBT As of June 30, 2010 Alhambra Unified School District

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
General Obligation Bonds ⁽¹⁾	\$136,103,520	\$1,910,686	\$1,675,000	\$136,339,206
Unamortized Premium on Issuance	3,634,620	--	128,711	3,505,909
Certificates of Participation	11,575,000	--	--	11,575,000
Other Post-Employment Benefits	8,112,022	6,399,909	--	14,511,931
Compensated Absences	<u>1,612,216</u>	<u>--</u>	<u>153,066</u>	<u>1,459,150</u>
Totals	<u>\$161,037,378</u>	<u>\$8,310,595</u>	<u>\$1,956,777</u>	<u>\$167,391,196</u>

⁽¹⁾ Includes outstanding general obligation bonds of the Improvement District.

General Obligation Bonds. On June 8, 1999, the voters of the Elementary School District authorized the issuance of \$30,000,000 of general obligation bonds of the Elementary School District (the “1999 Authorization”). On September 21, 1999, the Elementary School District issued the first series of bonds under the 1999 Authorization in the aggregate principal amount of \$20,960,561 (the “1999 Series A Bonds”). On March 30, 2004, the Elementary School District issued the second and final series of bonds under the 1999 Authorization in the aggregate principal amount of \$9,038,640.25 (the “1999 Series B Bonds”). On March 15, 2005, the School District issued its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) to refund a portion of the 1999 Series A Bonds.

On November 2, 2004, the voters of the School District authorized the issuance of \$85,000,000 of general obligation bonds of the School District (the “2004 Authorization”). On April 5, 2005, the School District issued the first series of bonds under the 2004 Authorization in the aggregate principal amount of \$50,000,000 (the “2004 Series A Bonds”). On May 28, 2009, the School District issued the second and final series of bonds under the 2004 Authorization in the aggregate principal amount of \$34,999,695.40 (the “2004 Series B Bonds”).

The following table summarizes the annual debt service requirements for School District’s general obligation bonded debt.

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ALHAMBRA UNIFIED SCHOOL DISTRICT
General Obligation Bonded Debt

Period Ending August 1	1999 Series A Bonds	1999 Series B Bonds	2005 Refunding Bonds	2004 Series A Bonds	2004 Series B Bonds	Total Annual Debt Service
2011	--	\$238,275.02	\$1,694,575.00	\$2,912,575.00	\$670,200.00	\$5,515,625.02
2012	--	252,225.02	1,748,200.00	3,003,375.00	670,200.00	5,674,000.02
2013	\$1,300,000.00	250,600.02	459,075.00	3,096,500.00	745,200.00	5,851,375.02
2014	1,570,000.00	298,850.02	251,075.00	3,180,625.00	818,137.50	6,118,687.52
2015	1,625,000.00	295,225.02	251,075.00	3,275,625.00	863,637.50	6,310,562.52
2016	1,680,000.00	316,850.02	251,075.00	3,363,125.00	1,007,387.50	6,618,437.52
2017	1,735,000.00	337,475.02	251,075.00	3,482,125.00	1,045,575.00	6,851,250.02
2018	1,795,000.00	332,037.52	251,075.00	3,569,125.00	1,135,575.00	7,082,812.52
2019	1,860,000.00	351,412.52	251,075.00	3,687,687.50	1,185,375.00	7,335,550.02
2020	1,925,000.00	344,631.26	251,075.00	3,797,150.00	1,310,937.50	7,628,793.76
2021	1,990,000.00	362,631.26	251,075.00	3,910,587.50	1,299,687.50	7,813,981.26
2022	2,055,000.00	379,431.26	251,075.00	4,022,212.50	1,487,187.50	8,194,906.26
2023	--	395,150.00	2,436,075.00	4,151,500.00	1,613,437.50	8,596,162.50
2024	--	334,525.00	2,510,900.00	4,259,000.00	1,773,062.50	8,877,487.50
2025	--	350,925.00	--	4,384,000.00	1,911,137.50	6,646,062.50
2026	--	2,941,250.00	--	4,510,000.00	1,933,062.50	9,384,312.50
2027	--	3,035,000.00	--	4,651,250.00	2,078,500.00	9,764,750.00
2028	--	3,100,000.00	--	4,786,250.00	1,578,750.00	9,465,000.00
2029	--	3,223,419.85	--	4,924,500.00	2,000,000.00	10,147,919.85
2030	--	3,313,839.37	--	--	7,210,000.00	10,523,839.37
2031	--	3,400,000.00	--	--	7,500,000.00	10,900,000.00
2032	--	--	--	--	8,500,000.00	8,500,000.00
2033	--	--	--	--	9,000,000.00	9,000,000.00
2034	--	--	--	--	9,500,000.00	9,500,000.00
2035	--	--	--	--	10,000,000.00	10,000,000.00
2036	--	--	--	--	10,250,000.00	10,250,000.00
2037	--	--	--	--	11,000,000.00	11,000,000.00
2038	--	--	--	--	11,000,000.00	11,000,000.00
2039	--	--	--	--	11,000,000.00	11,000,000.00
2040	--	--	--	--	11,000,000.00	11,000,000.00
2041	--	--	--	--	11,000,000.00	11,000,000.00
2042	--	--	--	--	11,000,000.00	11,000,000.00
Total	<u>\$17,535,000.00</u>	<u>\$23,853,753.18</u>	<u>\$11,108,500.00</u>	<u>\$72,967,212.50</u>	<u>\$153,087,050.00</u>	<u>\$278,551,515.68</u>

Certificates of Participation. On May 15, 2008, the School District caused the 2008 Certificates to be executed and delivered in the principal amount of \$11,575,000 for the purpose of refunding outstanding short-term notes of the School District and to finance a portion of the cost of renovating the School District’s administration facility. The following table summarizes the semi-annual and annual debt service payment requirements of the School District with respect to the 2008 Certificates prior to the issuance of the Bonds.

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	Total Semi-Annual <u>Payments</u>	Total Annual <u>Payments</u>
April 1, 2011	--	\$306,937.50	\$306,937.50	\$613,875.00
October 1, 2011	--	306,937.50	306,937.50	--
April 1, 2012	\$450,000.00	306,937.50	756,937.50	1,063,875.00
October 1, 2012	--	300,187.50	300,187.50	--
April 1, 2013	500,000.00	300,187.50	800,187.50	1,100,375.00
October 1, 2013	--	292,187.50	292,187.50	--
April 1, 2014	535,000.00	292,187.50	827,187.50	1,119,375.00
October 1, 2014	--	277,475.00	277,475.00	--
April 1, 2015	565,000.00	277,475.00	842,475.00	1,119,950.00
October 1, 2015	--	261,937.50	261,937.50	--
April 1, 2016	565,000.00	261,937.50	826,937.50	1,088,875.00
October 1, 2016	--	246,400.00	246,400.00	--
April 1, 2017	585,000.00	246,400.00	831,400.00	1,077,800.00
October 1, 2017	--	230,312.50	230,312.50	--
April 1, 2018	650,000.00	230,312.50	880,312.50	1,110,625.00
October 1, 2018	--	212,437.50	212,437.50	--
April 1, 2019	675,000.00	212,437.50	887,437.50	1,099,875.00
October 1, 2019	--	193,875.00	193,875.00	--
April 1, 2020	700,000.00	193,875.00	893,875.00	1,087,750.00
October 1, 2020	--	174,625.00	174,625.00	--
April 1, 2021	750,000.00	174,625.00	924,625.00	1,099,250.00
October 1, 2021	--	154,000.00	154,000.00	--
April 1, 2022	795,000.00	154,000.00	949,000.00	1,103,000.00
October 1, 2022	--	132,137.50	132,137.50	--
April 1, 2023	805,000.00	132,137.50	937,137.50	1,069,275.00
October 1, 2023	--	110,000.00	110,000.00	--
April 1, 2024	885,000.00	110,000.00	995,000.00	1,105,000.00
October 1, 2024	--	85,662.50	85,662.50	--
April 1, 2025	935,000.00	85,662.50	1,020,662.50	1,106,325.00
October 1, 2025	--	59,950.00	59,950.00	--
April 1, 2026	<u>2,180,000.00</u>	<u>59,950.00</u>	<u>2,239,950.00</u>	<u>2,299,900.00</u>
TOTAL	<u>\$11,575,000.00</u>	<u>\$6,383,187.50</u>	<u>\$17,958,187.50</u>	<u>\$18,265,125.00</u>

Following the deposit of and application of proceeds of the Bonds as described in “APPLICATION OF PROCEEDS OF THE BONDS” the obligation of the School District to make lease payments with respect to the 2008 Certificates will cease.

Improvement District General Obligation Bonded Debt. Pursuant to the 2008 Authorization, the voters of the Improvement District authorized the issuance of not-to-exceed \$50,000,000 of general obligation bonds of the Improvement District. On April 16, 2009, the School District caused the issuance of the 2008 Series A Bonds in the aggregate principal amount \$24,999,987. The Bonds are the second and final issuance of bonds under the 2008 Authorization.

The following table illustrates the debt service on the outstanding general obligation bonds for the Improvement District (assuming no optional redemptions):

<u>Year Ending (August 1)</u>	<u>2008 Series A Bonds</u>	<u>Series B Bonds</u>	<u>Series B-1 Bonds</u>	<u>Total Annual Debt Service</u>
2011	\$1,450,250.00	\$107,966.67	\$326,840.56	\$1,885,057.23
2012	1,619,250.00	246,000.00	744,700.00	2,609,950.00
2013	1,578,500.00	246,000.00	744,700.00	2,569,200.00
2014	1,618,000.00	246,000.00	744,700.00	2,608,700.00
2015	1,697,000.00	246,000.00	744,700.00	2,687,700.00
2016	1,779,500.00	246,000.00	744,700.00	2,770,200.00
2017	1,898,000.00	246,000.00	744,700.00	2,888,700.00
2018	1,958,625.00	246,000.00	744,700.00	2,949,325.00
2019	2,064,000.00	246,000.00	744,700.00	3,054,700.00
2020	2,111,500.00	246,000.00	6,144,700.00	8,502,200.00
2021	2,251,000.00	246,000.00	428,800.00	2,925,800.00
2022	2,329,500.00	246,000.00	428,800.00	3,004,300.00
2023	2,399,750.00	246,000.00	428,800.00	3,074,550.00
2024	2,419,750.00	246,000.00	428,800.00	3,094,550.00
2025	2,419,750.00	246,000.00	428,800.00	3,094,550.00
2026	2,519,750.00	401,000.00	6,614,400.00	9,535,150.00
2027	2,619,750.00	1,751,700.00	--	4,371,450.00
2028	2,919,750.00	1,650,800.00	--	4,570,550.00
2029	3,104,250.00	1,670,500.00	--	4,774,750.00
2030	2,973,000.00	2,000,000.00	--	4,973,000.00
2031	3,035,500.00	2,175,000.00	--	5,210,500.00
2032	587,000.00	5,250,000.00	--	5,837,000.00
2033	3,165,000.00	3,000,000.00	--	6,165,000.00
2034	--	6,450,000.00	--	6,450,000.00
2035	--	6,700,000.00	--	6,700,000.00
2036	--	7,000,000.00	--	7,000,000.00
2037	--	7,300,000.00	--	7,300,000.00
2038	--	7,600,000.00	--	7,600,000.00
2039	--	8,000,000.00	--	8,000,000.00
2040	--	8,000,000.00	--	8,000,000.00
2041	--	<u>2,400,000.00</u>	--	<u>2,400,000.00</u>
Total	<u>\$50,518,375.00</u>	<u>\$74,900,966.67</u>	<u>\$21,187,540.56</u>	<u>\$146,606,882.23</u>

State Budget

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

2010-11 Budget. The 2010-11 Budget Act (the "2010-11 Budget") was signed into law by the Governor on October 8, 2010. On October 12, 2010, the LAO released its summary of the major features of the 2010-11 Budget (the "LAO Budget Summary"). The following information is adapted from the LAO Budget Summary.

Absent corrective measures, the 2010-11 Budget projects a fiscal year 2010-11 ending deficit of approximately \$17.9 billion. To address this gap, the 2010-11 Budget relies on \$7.8 billion of expenditure and cost reductions, \$5.4 billion of federal funding measures, \$3.3 of revenue measures, and \$2.7 billion of loans, transfers and one-time fund shifts.

With the implementation of these measures, the 2010-11 Budget assumes, for fiscal year 2009-10, year-end revenues of \$81.6 billion and expenditures of \$86.3 billion. The 2010-11 Budget also assumes the State ended fiscal year 2009-10 with a budget deficit of \$6.3 billion. For fiscal year 2010-11, the 2010-11 Budget projects total revenues of \$89.4 billion (an increase of 8.4% from the prior year) and authorizes total expenditures of \$86.5 billion (an increase of 0.2% from the prior year). The State is also projected to end fiscal year 2010-11 with a \$1.3 million surplus. The LAO notes that well over two-thirds of the measures included in the 2010-11 Budget are of a one-time nature. As a result, the State is expected to continue facing structural deficit problems in future fiscal years.

Total Proposition 98 funding is increased in fiscal year 2010-11 to \$49.7 billion, including \$36.2 billion from the State general fund. This represents an increase of \$115 million, or 0.2%, from the prior year. To fund at this level, the 2010-11 Budget authorizes the suspension of the Proposition 98 minimum funding requirement. Absent this suspension, the LAO estimates that Proposition 98 funding would need to increase by approximately \$4.1 billion in fiscal year 2010-11. The 2010-11 Budget also projects a "settle up obligation" of approximately \$1.8 billion resulting from the State appropriating less funding in fiscal year 2009-10 than required by the Proposition 98 minimum funding guarantee. The 2010-11 Budget provides for \$300 million to begin funding this settle-up obligation.

Although Proposition 98 funding increases slightly in fiscal year 2010-11, expenditure reductions are necessary because of the number of one-time solutions built into the fiscal year 2009-10 budget. To that end, the 2010-11 Budget reduces total Proposition 98 expenditures by approximately \$3.4 billion. The bulk of this reduction is treated as payment deferral rather than a spending cut. Specifically, the 2010-11 Budget provides for the deferral of \$1.9 billion in State apportionments due in the spring of 2011, including \$1.7 billion for school districts and county offices of education. The 2010-11 Budget projects significant savings in child care funding by requiring contractors to utilize accumulated reserves to offset contract amounts (\$83.1 million), reducing reimbursement rates for certain providers (\$18.7 million) and reducing administrative allowances for certain contractors (\$17.1 million). Other significant measures include a decrease of \$700 million in unallocated funds for a variety of K-12 categorical programs, and \$550 million in projected savings in the K-3 Class Size Reduction Program.

During the State's budgetary impasse, various State vendors went unpaid and the State's annual revenue anticipation warrant ("RANs") borrowing was delayed. Without the proceeds of from such RANs, the 2010-11 Budget projects that the State will have difficulty meeting all its financial obligations without the use of registered warrants (also known as IOUs). Therefore, the 2010-11 Budget includes provisions authorizing the State Controller to delay the payment of school district and community college district apportionments, as well as various other State payments, in October by several days. Such deferrals would be in addition to existing deferrals of State apportionments.

Other significant features of the 2010-11 Budget includes the following:

- *Higher Education.* \$250 million of increased funding to the University of California system and \$260 million of increased funding to the California State University system. These augmentations are each \$106 million lower than the amounts included in the Governor's May revision to his proposed 2010-11 budget (the "May Revision"), reflecting the receipt of federal stimulus funding. The 2010-11 Budget also includes a \$100 million reduction to the Cal Grant financial aid program, and instead backfills this reduction with excess revenue from the Student Loan Operating Fund.
- *State Employee Compensation.* The 2010-11 Budget implements \$1.6 billion in reductions to State personnel costs, including \$896 million in anticipated savings from recent agreements with State employee unions and \$580 million in anticipated savings from a 5% reduction in the State workforce.
- *Social Services.* \$300 million in anticipated savings in the In-Home Supportive Services ("IHSS") program, including \$190 million from the application of the State sales tax to IHSS providers, \$35 million from a 3.6% reduction to authorized service hours for IHSS recipients, and a \$75 million adjustment to reflect a lower than anticipated caseload.
- *Medi-Cal.* \$187 million in anticipated savings by requiring managed care enrollment of certain Medi-Cal recipients, \$100 million in anticipated savings from rate freezes and reductions to certain Medi-Cal providers, and \$26 million in assumed savings from antifraud efforts.
- *California Work Opportunities and Responsibilities to Kids ("CalWORKs").* The 2010-11 Budget does not include the proposed elimination of the CalWORKs program included in the May Revision. However, CalWORKs funding was subject to various Gubernatorial vetoes, as discussed below.
- *Corrections/Rehabilitation.* \$820 million in unallocated reductions to inmate medical services achieved primarily by paroling certain sick inmates. The 2010-11 Budget also assumes \$219 million in savings from unspecified adult correctional population changes.
- *State Courts.* \$405 million reduction to State general fund support for trial courts. This reduction would be largely offset by a one-time shift of \$350 million in redevelopment funding.
- *Local Mandate Securitization.* The 2010-11 Budget authorizes joint powers authorities to issue up to \$1 billion of ten-year "local mandate claim receivables" backed by the State's repayment obligation to cities, counties and special districts. Under the plan, the State would pay interest on the receivables at a rate of 2% per year, with local agencies bearing all other additional interest or issuance costs.

- *Federal Funding.* As mentioned above, the 2010-11 Budget assumes \$5.4 billion in federal funding measures, allowing for a like reduction of State general fund costs. This additional funding is to be achieved primarily through federal approval for reductions in state costs or service levels, and the receipt of additional federal stimulus funding. The LAO notes that most of these measures have not been approved by Congress.
- *Revenue Measures.* The 2010-11 Budget includes \$3.3 billion of revenue measures, including (i) \$1.4 billion in additional revenues by adopting the LAO's May 2010 revenue forecast, (ii) \$1.2 billion of additional revenues by extending the current ban on Net Operating Loss tax deductions, and (iii) \$1.2 billion in one-time revenue from the sale of 11 state office properties.
- *Gubernatorial Vetoes.* In signing the budget, the Governor vetoed \$963 million in State general fund expenditures, including (i) \$256 million by eliminating CalWORKs Stage 3 child care, (ii) \$80 million for child welfare services, (iii) \$12 million for HIV/AIDS health programs, (iv) \$10 million for health clinics, (v) \$6 million for community based programs run by the Department of Aging, and (vi) \$133 million of funding for student mental health services.

Additional information regarding the 2010-11 Budget is available from the LAO's website: www.lao.ca.gov.

Fiscal Outlook Report. On November 10, 2010, the LAO released a report entitled "The 2011-12 Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report"), which updates expenditure and revenue projections for fiscal year 2010-11. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2010-11 through 2015-16 under current law, absent any actions to close the State's budget gap. Such projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The Fiscal Outlook Report concludes that although the 2010-11 Budget had projected the State would end fiscal year 2010-11 with a \$1.3 billion General Fund reserve, the LAO now projects, if no actions are taken, the State faces a 2010-11 year-end General Fund deficit of \$6.1 billion. The Fiscal Outlook Report attributes this projected budget deficit to (i) an expected failure to receive approximately \$3.5 billion in federal funding (or flexibility in operating state-federal programs like Medi-Cal), (ii) reductions in projected revenues and (iii) increases in projected expenditures. The Fiscal Outlook Report assumes the State will be unable to achieve fiscal year 2009-10 and/or fiscal year 2010-11 budget solutions totaling approximately \$3 billion. In addition, the Fiscal Outlook Report forecasts revenue for fiscal years 2009-10 and 2010-11 approximately \$447 million below the 2010-11 Budget assumptions, and projects that the State will be unable to achieve an additional \$800 million in budgeted solutions for fiscal year 2010-11 due to recent statutory changes. See, for example, "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 26."

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov.

Governor's 2011-12 Proposed Budget. On January 10, 2011 the Governor released his proposed budget for fiscal year 2011-12 (the "Proposed Budget"). On January 12, 2011 the LAO released its Overview of the Governor's Budget (the "LAO Overview"). The following information has been adapted from excerpted portions of the LAO Overview.

The Proposed Budget estimates that, without corrective action by the Legislature and the Governor, the State would end 2011-12 with a \$25.4 billion deficit. Specifically, the administration estimates that the General Fund will end 2010-11 with a deficit of \$8.2 billion (as opposed to the \$1.5 billion reserve balance assumed when the 2010-11 Budget was adopted). For 2011-12, the Governor estimates that the gap between expenditures and revenues will be \$17.2 billion.

In total, the Governor proposes \$26.4 billion in budget solutions. If adopted and achieved in full, the Governor's budget plan would leave the State with a reserve of around \$1 billion at the end of 2011-12. The Governor proposes to reduce current-law General Fund state expenditures by \$12.5 billion. These expenditure-related solutions include both reductions in services and benefits and use of other funding sources in lieu of the General Fund. The Governor proposes a total of \$14 billion in new revenues, of which \$3 billion is attributed to 2010-11. The additional revenues to be deposited in the General Fund would result in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools and community colleges (reducing the net effect of these new revenues to \$12 billion). The remaining \$1.9 billion in solutions comes from borrowing from special funds and other sources.

The LAO reports that two significant and interrelated themes run through the Governor's budget package: (1) his plan to submit a proposed extension of the four temporary tax increases adopted in February 2009 to voters in a June 2011 special election and (2) his plan to restructure the state-local relationship in the delivery of services by shifting funding and responsibility to local governments for those services (referred to herein as "realignment"). In addition, the Governor proposes dramatic changes in the area of local economic development by proposing the elimination of redevelopment agencies.

The LAO notes that the Governor proposes to put two ballot measures before the voters in a June special election: (1) a constitutional measure to extend the temporary tax increases by another five years and to dedicate two of these revenues to realignment and (2) a measure to change state law provisions regarding certain tobacco product excise taxes to allow the funds to be used in the Medi-Cal Program. The LAO expects that the Governor will ask that a separate measure be placed on a future election ballot to allow new mechanisms for funding redevelopment at the local level.

The administration has proposed an accelerated budget process with a target date of March 1 to have all of the enabling legislation necessary to implement the budget solutions in place. This approach would allow the Legislature and the administration to put in place the budget solutions required to address the budget deficit in March and then finalize action on the budget bill—presumably in June—prior to the state legislature's June 15 constitutional deadline for adopting a balanced budget. In the view of the administration, this would allow for the incorporation of any updated May Revision forecasts, as well as the results of the special election.

While the Governor's revenue proposals result in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the Proposed Budget would result in a small programmatic funding decline for K-12 education and more significant reductions for community colleges and child care programs. The Proposed Budget reduces total Proposition 98 spending by less than 1% from the current year to the budget year. Under the Governor's plan, K-12 funding would change negligibly from 2010-11 to 2011-12. By comparison, community college district funding would be reduced \$361 million or 6.3%. The Governor's Proposition 98 plan includes no cost-of-living-

adjustments but funds enrollment growth for K-12 education (0.22%) and community college districts (1.9%).

Under the Governor's plan, K-12 programmatic funding per student decreases by about \$100 or 1.4% from 2010-11 to 2011-12. Most of the decline in K-12 per student funding is attributable to the loss of federal stimulus funding. Under the Proposed Budget, K-12 per student programmatic funding in 2011-12 would be 6.4% lower than the fiscal year 2007-08 level.

The most substantial component of the Governor's Proposition 98 plan consists of \$2.2 billion in new inter-year deferrals from 2011-12 to 2012-13—\$2.1 billion from K-12 revenue limit payments and \$129 million from community college district apportionment payments. In addition to the inter-year deferrals, the Governor proposes to continue intra-year deferrals to help with the State's cash flow problems. The Governor's intra-year deferral plan would delay \$2.5 billion in K-12 payments and \$200 million in community college district apportionments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals.

The Governor proposes to achieve \$750 million in Proposition 98 child care savings by making four major policy changes: (1) reducing child care subsidies by about 35%; (2) reducing income eligibility for subsidized child care from 75% to 60% of state median income, (3) eliminating subsidized child care for 11- and 12-year olds, and (4) reducing a portion of CalWORKs caseload based on reform proposals. After accounting for various other federal and state adjustments, the Governor's proposal would reduce total 2011-12 funding for Proposition 98-supported child care programs by about \$652 million (29%) and child care slots by about 9,900 (3%) compared to 2010-11.

The Governor proposes a \$400 million reduction to community college apportionments. In addition, the Governor reduces Proposition 98 funding for the Division of Juvenile Facilities by \$8.7 million to reflect a three-year phase-out linked with his realignment proposal and provides no funding authority for the State's student and teacher data systems pending a comprehensive review of the two projects. In contrast to the proposed reductions, the Governor proposes two notable K-12 augmentations. First, the Governor provides \$90 million to cover the ongoing cost of about 35 K-14 mandates. Though this is the same level of support as provided in the current year, the State used one-time funds in 2010-11. Second, the Governor provides \$43 million in ongoing funding (and \$11 million in one-time funding) for the Emergency Repair Program, which provides grants to low-performing schools to pay for school facility repairs needed for public health or safety reasons.

The Governor's plan also includes a two-year extension of existing K-14 fiscal relief options. For both school districts and community colleges, the Governor proposes to extend "categorical flexibility" from 2012-13 through 2014-15, reducing restrictions on funding associated with certain categorical programs. For school districts, the plan also would extend the existing K-3 Class Size Reduction Program from 2011-12 through 2013-14. Additionally, for school districts, the Governor proposes extending for two years the existing statutory provisions that reduce routine maintenance requirements, suspend deferred maintenance requirements, postpone instructional materials purchases, and lower unrestricted budget reserve requirements.

The Proposed Budget would also eliminate the Office of the Secretary of Education, resulting in estimated non-Proposition 98 General Fund net savings of roughly \$400,000 in the current year and \$1.6 million in the budget year.

Although the LAO concludes that the Proposed Budget's estimate of the size of the budget problem and its assumptions of the effectiveness of the proposed solutions are generally reasonable, it finds that significant political and practical obstacles to the proposed solutions may exist and notes that, in

total, around \$12 billion of the Governor's proposed budget solutions are dependent upon voter approval in June. The LAO credits the Governor's efforts to craft a budget plan that is heavily focused on multiyear and ongoing solutions. The LAO's early assessment of the out-year effects of the Proposed Budget is somewhat less favorable than the administration's, but the LAO concludes that the Proposed Budget would go a long way toward eliminating the State's persistent budget gap.

Additional information regarding the Proposed Budget for fiscal year 2011-12 may be obtained from the LAO at www.lao.ca.gov and from the Department of Finance at www.dof.ca.gov/budget/.

Future Actions. The School District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the current State budget deficit, changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the School District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the State general fund budget. However, the obligation to pay ad valorem taxes upon all taxable property within the Improvement District for the payment of principal and Maturity Value of and interest on the Bonds would not be impaired.

TAX MATTERS

Series B Bonds

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

The difference between the issue price of a Series B Bond (the first price at which a substantial amount of the Series B Bonds of the same Series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series B Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series B Bond Owner will increase the Series B Bond Owner's basis in the Series B Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Series B Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Series B Bonds is based upon certain representations of fact and certifications made by the School District and others and is subject to the condition that the School District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series B Bonds to

assure that interest (and original issue discount) on the Series B Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series B Bonds. The School District has covenanted to comply with all such requirements.

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

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

It is possible that subsequent to the issuance of the Series B Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Series B Bonds or the market value of the Series B Bonds. No assurance can be given that subsequent to the issuance of the Series B Bonds such changes or interpretations will not occur.

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

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Series B Bonds is excluded from gross income for federal income tax purposes provided that the School District continues to comply with certain requirements of the Code, the ownership of the Series B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series B Bonds.

A copy of the proposed form of opinion of Bond Counsel is included in APPENDIX C.

Series B-1 Bonds

The School District has elected to issue the Series B-1 Bonds as Qualified School Construction Bonds for purposes of Section 54F of the Code for which the School District is allowed a refundable credit which, with respect to any Bond Payment Date with respect to the Series B-1 Bonds, is equal to the lesser of (a) the interest payable on such Series B-1 Bonds on such Bond Payment Date or (b) the amount of interest that would have been payable on such Bond Payment Date under such Series B-1 Bonds if such interest were determined under at the applicable credit rate determined under Section 54A(b)(3) of the Code. The School District will elect to receive a cash subsidy payment from the United States Treasury equal to the lesser of (a) the interest payable on such Series B-1 Bonds on such Bond Payment Date or (b) the amount of interest that would have been payable on such Bond Payment Date under such Series B-1 Bonds if such interest were determined under at the applicable credit rate determined under Section 54A(b)(3) of the Code, which will be deposited in the Debt Service Fund maintained by the County. See "THE BONDS - Designation of Certain Bonds as Qualified School Construction Bonds" for a description of the treatment of such cash subsidy payments as an offset to debt service in the future. **UNDER NO CIRCUMSTANCES WILL THE SERIES B-1 BOND OWNERS RECEIVE OR BE ENTITLED AT ANY TIME TO A CREDIT AGAINST THE TAX IMPOSED BY THE CODE WITH RESPECT TO THE OWNERSHIP OF THE SERIES B-1 BONDS.** The School District cannot ensure that the School District will receive such a refundable credit at any time and in any given amount.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series B-1 Bonds is exempt from State personal income tax.

Except for certain exceptions, the difference between the issue price of a Series B-1 Bond (the first price at which a substantial amount of the Series B-1 Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series B-1 Bond (to the extent the redemption price at maturity is bigger than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Series B-1 Bond Owner will increase the Series B-1 Bond Owner's basis in the Series B-1 Bond. Series B-1 Bond Owners should consult their own tax advisor with respect to taking into account any original issue discount on the Series B-1 Bond.

The amount by which a Series B-1 Bond Owner's original basis for determining loss on sale or exchange in the applicable Series B-1 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Series B-1 Bond Owner may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Series B-1 Bond Owner's basis in the applicable Series B-1 Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series B-1 Bond Owner realizing a taxable gain when a Series B-1 Bond is sold by the Series B-1 Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series B-1 Bond to the Series B-1 Bond Owner. The Series B-1 Bond Owners that have a basis in the Series B-1 Bonds that is greater than the principal amount of the Series B-1 Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The qualification of the Series B-1 Bonds and receipt of the refundable credit for purposes of Section 54F of the Code is subject to the condition that the School District and others comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series B-1 Bonds to assure that the Series B-1 Bonds qualify as Qualified School Construction Bonds under Section 54F of the Code for which the School District has made an irrevocable election to receive a refundable credit.

Failure to comply with such requirements of the Code might result in the School District not receiving such a refundable credit, possibly retroactive to the date of issue of the Series B-1 Bonds.

The IRS has initiated an expanded program for the auditing of bond issues, including both random and targeted audits. It is possible that the Series B-1 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series B-1 Bonds might be affected as a result of such an audit of the Series B-1 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, that Congress or the IRS might change the Code (or interpretation thereof) subsequent to the issuance of the Series B-1 Bonds to the extent that it adversely affects the status of the Series B-1 Bonds as Qualified School Construction Bonds for purposes of Section 54F of the Code for which the School District is entitled to a refundable credit or the market value of a Series B-1 Bond.

It is possible that subsequent to the issuance of the Series B-1 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state, or local tax treatment of the Series B-1 Bonds or the market value of the Series B-1 Bonds. No assurance can be given that subsequent to the issuance of the Series B-1 Bonds such changes or interpretations will not occur.

The federal tax and State personal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Series B-1 Bond Owner's particular situation. The ownership and disposal of the Series B-1 Bonds and the accrual or receipt of interest on the Series B-1 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **ANY FEDERAL TAX ADVICE CONTAINED HEREIN WITH RESPECT TO THE SERIES B-1 BONDS IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE. THE FEDERAL TAX ADVICE CONTAINED HEREIN WITH RESPECT TO THE SERIES B-1 BONDS WAS WRITTEN TO SUPPORT THE PROMOTING AND MARKETING OF THE SERIES B-1 BONDS. BEFORE PURCHASING ANY OF THE SERIES B-1 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE SERIES B-1 BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Bond Counsel with respect to the Series B-1 Bonds is included in APPENDIX C.

LEGAL MATTERS

Continuing Disclosure

The School District, on behalf of the Improvement District, has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the School District (each an "Annual Report") by not later than nine months following the end of the School District's fiscal year (which shall be April 1 of each year, so long as the School District's fiscal year ends on June 30), commencing with the report for the 2010-11 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of significant events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of significant events is summarized under the captions "APPENDIX D – Form of Continuing Disclosure Certificate" herein. These covenants have been made in order to assist the Underwriter in complying with the Rule. The School District has, in the past, failed to file certain of its required annual reports in a timely manner

as required by its prior continuing disclosure obligations. The School District has since filed all such reports and is now current with respect to all filings required under its continuing disclosure obligations.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate or certificates to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The School District is not aware of any litigation pending or threatened questioning the political existence of the Improvement District, contesting the collection of tax revenues within the Improvement District or contesting the Improvement District's ability to issue and retire the Bonds.

New Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (the "TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any Owner who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Financial Statements

Excerpts from the financial statements, with supplemental information for the year ended June 30, 2010, the independent auditor's report of the School District, and the report dated November 29, 2010 of Christy White, a Professional Accountancy Corporation, independent accountants (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the excerpts described above and the report of the Auditor thereon in Appendix B to this Official Statement, the School District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Certain Legal Matters

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Service, a Division of the McGraw-Hill Companies ("S&P") have assigned ratings of "Aa3" (negative outlook) and "AA+" (stable outlook), respectively, to the Series B Bonds, based upon the issuance of the Policy by AGM. The Bonds have also been assigned ratings of "Aa3" and "A+" by Moody's and S&P, respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007; and Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

George K. Baum & Company (the "Underwriter"). has agreed, pursuant to a purchase contract (the "Purchase Contract"), by and between the School District and the Underwriter, to purchase the Series B Bonds at a price of \$13,634,527.98, which is equal to the initial principal amount of the Series B Bonds of \$13,199,720.75, plus net original issue premium of \$1,090,100.55, minus the Underwriter's discount of \$274,996.93, less \$239,683.39 of bond insurance premium, and minus \$140,613.30 to be retained by the Underwriter to pay the costs of issuing the Bonds. The Underwriter has agreed, pursuant to the Purchase Contract, to purchase the Series B-1 Bonds at a price of \$11,800,000.00, which is equal to the principal amount thereof. The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the applicable Bonds if any are purchased, the obligations to make such purchases being subject to certain terms and conditions set forth in said agreements, the approval of certain legal matters by counsel and certain other conditions.

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 from time to time by the Underwriter.

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ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Bond Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

**ALHAMBRA UNIFIED SCHOOL DISTRICT
ELEMENTARY SCHOOLS IMPROVEMENT DISTRICT**

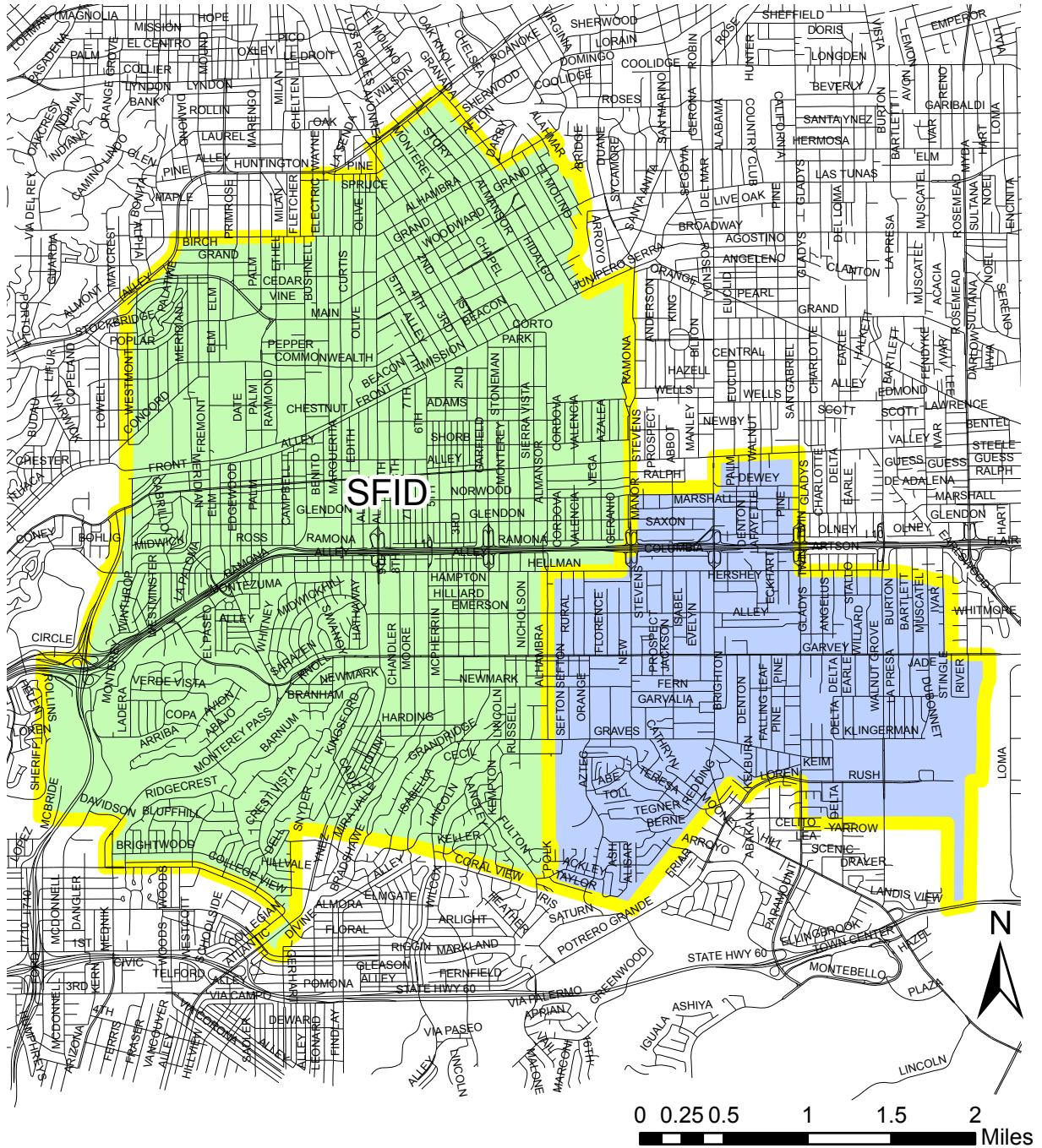
By /s/ Donna M. Pérez
Superintendent of the School District

APPENDIX A

LOCATION MAP OF THE IMPROVEMENT DISTRICT

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THE ALHAMBRA UNIFIED SCHOOL DISTRICT ELEMENTARY SCHOOLS IMPROVEMENT DISTRICT



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APPENDIX B

**EXCERPTS FROM THE 2009-10 AUDITED FINANCIAL STATEMENTS
OF THE SCHOOL DISTRICT**

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ALHAMBRA UNIFIED SCHOOL DISTRICT
 AUDIT REPORT
 For the Fiscal Year Ended June 30, 2010
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ALHAMBRA
 UNIFIED SCHOOL DISTRICT
 AUDIT REPORT
 For the Fiscal Year Ended
 June 30, 2010

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Board of Trustees
Alhambra Unified School District
Alhambra, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alhambra Unified School District, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alhambra Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alhambra Unified School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 on our consideration of the Alhambra Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Licensed by the California Board of Accountancy

**ALHAMBRA UNIFIED SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended June 30, 2010
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The management's discussion and analysis on pages 3 through 13, and budgetary comparison information on page 53 and the schedule of funding progress on page 54 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alhambra Unified School District's basic financial statements. The schedule of financial trends and analysis and the schedule of expenditures of federal awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chintala Lakshmi Accerentary Corporation

San Diego, California
November 29, 2010

Management's Discussion and Analysis

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

This discussion and analysis of Alhambra Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets decreased from \$214.7 million to \$208.7 million.
- Overall revenues were \$183.5 million, \$6.0 million less than expenses.
- The total cost of basic programs was \$189.5 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$133.7 million.
- The District increased its outstanding long-term debt \$6.4 million or 4%.
- Average daily attendance (ADA) in grades K-12 decreased by 148, or about 1%.

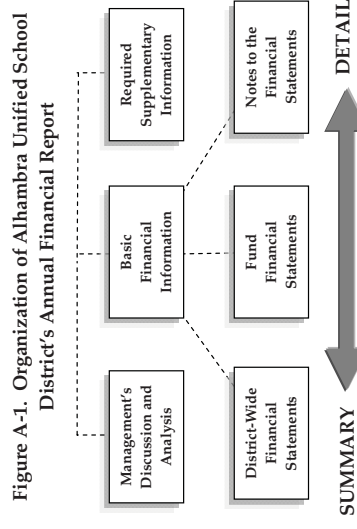
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

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



ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

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

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

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; self-insurance fund	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of Net Assets Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Assets Statement of Revenues, Expenses & Changes in Fund Net Assets Statement of Cash Flows 	<ul style="list-style-type: none"> Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Standard's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

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

District-wide Statements

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

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities. The district currently has one internal service fund – the self-insurance fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were larger on June 30, 2010, than they were the year before – decreasing 3% to \$208.7 million (See Table A-1).

Table A-1 Alhambra Unified School District's Net Assets			
	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Current assets	\$ 193,856,429	\$ 132,447,804	-32%
Noncurrent assets	206,342,292	266,923,207	29%
Total assets	400,198,721	399,371,011	0%
Current liabilities	24,471,441	26,747,883	9%
Noncurrent liabilities	161,037,378	163,933,335	2%
Total liabilities	185,508,819	190,681,218	3%
Total net assets	\$ 214,689,902	\$ 208,689,793	-3%

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net assets, governmental activities. The District's total revenues were \$183.5 million (see Table A-2). This is a decrease of 16% over the prior year. Overall, expenses exceeded revenues government-wide by \$6.0 million.

The total cost of all programs and services was \$189.5 million. The District's expenses are predominantly related to educating and caring for students, 77%. The purely administrative activities of the District accounted for just 5% of total costs. The total costs increased by 1%.

**Table A-2
Changes in Alhambra Unified School District's Net Assets**

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 10,340,852	\$ 4,369,703	-58%
Operating grants and contributions	57,093,265	46,998,093	-18%
Capital grants and contributions	21,414,456	4,490,248	-79%
<i>General revenues</i>			
Property taxes	23,422,167	25,823,939	10%
Other revenues	106,624,305	101,865,401	-4%
Total revenues	218,895,045	183,547,384	-16%
Expenses:			
Instruction-related	123,960,334	121,690,394	-2%
Student support services	23,508,729	24,216,227	3%
Maintenance and operations	16,173,298	17,249,795	7%
Administration	12,890,285	10,058,210	-22%
Other expenses	10,950,498	16,332,867	49%
Total expenses	187,483,144	189,547,493	1%
Change in net assets	\$ 31,411,901	\$ (6,000,109)	-119%

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Governmental Activities

In the operating budget, the District's stable fiscal health can be credited to the following management actions:

- Conservative district philosophy, fiscal management and cash flow management.
- The District carefully monitors enrollment growth.
- Position control procedures require that communication is maintained between the Business Office and the Human Resources Office.
- Class sizes are monitored closely in the class size reduction program (Kindergarten through grade 3) and in all other grades to assure that teacher student ratios are optimum.
- The budget staff annually prepares both 2-year and 3-year budget projections allowing decisions to be made well in advance of anticipated budget changes.

Table A-3 presents the cost of five major District activities: instruction and instruction related; student support services; maintenance, operations and facility acquisition; general administration; and miscellaneous other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3
Net Costs of Alhambra Unified School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 121,690,394	\$ 84,909,547
Pupil support services	24,216,227	9,725,351
Maintenance and operations	17,249,795	17,226,296
Administration	10,058,210	8,120,773
Other expenses	16,332,867	13,707,482
Total expenses	\$ 189,547,493	\$ 133,689,449

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$82.9 million, which is less than last year's ending fund balance of \$143.7 million, primarily due to the expenditure of \$65 million in funding from the issuance of general obligation bonds in the prior year and other financing sources.

General Fund Budgetary Highlights

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

- Revenues – increased by \$.7 million primarily to reflect federal and state budget actions
- Expenditures – decreased about \$1.8 million primarily due to cost containment and spending on only essential items.

While the District's final budget for the General Fund anticipated expenditures would exceed revenues by about \$.8 million, the actual results for the year show that revenues actually exceeded expenditures by roughly \$1.7 million. Actual revenues were \$.7 million more than anticipated, and expenditures were \$1.8 million less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009-10 the District had invested approximately \$329.0 million in capital assets – as shown in Table A-4. (More detailed information about capital assets can be found in Note 6 to the financial statements.)

Table A-4
Alhambra Unified School District's Capital Assets

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10
Land	\$ 13,973,472	\$ 13,973,472	0%
Site improvements	3,628,756	3,740,436	3%
Buildings	181,765,998	188,231,500	4%
Furniture and equipment	13,555,903	13,754,899	1%
Construction in progress	51,027,858	109,292,275	114%
Total capital assets	\$ 263,951,987	\$ 328,992,582	25%

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$167.4 million in long-term debt an increase of 4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-5
Alhambra Unified School District's Long-Term Debt

	Governmental Activities		Total Percentage Change
	2009	2010	
Compensated absences	\$ 1,612,216	\$ 1,459,150	-9%
Certificates of participation	11,575,000	11,575,000	0%
General obligation bonds	139,738,140	139,845,115	0%
Other postemployment benefits	8,112,022	14,511,931	79%
Total long-term debt	\$ 161,037,378	\$ 167,391,196	4%

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately \$25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately \$6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit factor offsets the loss keeping funding levels in 2010-11 the same as 2009-10, and without the \$253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to the September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Other Factors

Enrollment

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

All of these factors were considered in preparing the Alhambra Unified School District budget for the 2010-11 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (626) 943-6550.

Financial Section

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 97,862,891
Accounts receivable	31,956,813
Inventories	281,459
Prepaid expenses	2,346,641
Total current assets	132,447,804
Noncurrent assets:	
Capital assets:	
Land	13,973,472
Site improvements	3,740,436
Buildings	188,231,500
Furniture and equipment	13,754,899
Construction in progress	109,292,275
Less accumulated depreciation	(62,069,375)
Total capital assets, net of depreciation	266,923,207
Total noncurrent assets	266,923,207
Total assets	399,371,011
LIABILITIES	
Current liabilities:	
Accounts payable	23,020,777
Deferred revenue	269,245
Compensated absences, current	1,459,150
General obligation bonds payable, current	1,870,000
Unamortized premiums on long-term debt, current	128,711
Total current liabilities	26,747,883
Noncurrent liabilities:	
Certificates of participation payable, noncurrent	11,575,000
General obligation bonds payable, noncurrent	134,469,206
Unamortized premiums on long-term debt, noncurrent	3,377,198
Other postemployment benefits	14,511,931
Total noncurrent liabilities	163,933,335
Total liabilities	190,681,218
NET ASSETS	
Invested in capital assets, net of related debt	158,539,256
Restricted for:	
Capital projects	8,377,044
Debt service	4,486,328
Unrestricted	37,287,165
Total net assets	\$ 208,689,793

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Primary government:	Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:						
Instructional services:		\$ 98,477,096	\$ 1,939,048	\$ 21,966,893	\$ 4,490,248	\$ (70,880,907)
Instruction		8,660,838	107,297	6,417,967	-	(2,135,574)
Instruction-related services:						
Supervision of instruction		1,113,586	-	429,469	-	(684,117)
Instructional library, media and technology		13,438,874	195,629	1,234,296	-	(12,008,949)
School site administration						
Pupil support services:						
Home-to-school transportation		5,248,660	356,482	1,391,108	-	(3,501,070)
Food services		7,149,990	1,012,631	6,467,107	-	329,748
All other pupil services		11,817,577	317,406	4,946,142	-	(6,554,029)
General administration services:						
Data processing services		1,003,670	-	1,704,966	-	701,296
Other general administration		9,054,540	158,808	73,663	-	(8,822,069)
Plant services		17,249,795	23,499	-	-	(17,226,296)
Ancillary services		974,257	-	857,121	-	(117,636)
Community services		1,032,991	-	-	-	(1,032,991)
Enterprise activities		(895,278)	-	-	-	895,278
Interest on long-term debt		6,254,153	-	-	-	(6,254,153)
Other outgo		4,506,564	258,903	1,509,361	-	(2,738,300)
Depreciation (unallocated)		4,459,680	-	-	-	(4,459,680)
Total governmental activities		\$ 189,547,493	\$ 4,369,703	\$ 46,988,093	\$ 4,490,248	\$ (133,689,449)
General revenues:						
Taxes						
						19,514,728
						5,819,674
						489,537
						98,850,227
						1,557,304
						1,457,870
						127,689,340
						(6,000,109)
						214,689,902
						\$ 208,689,793

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,124,797	\$ 40,328,182	\$ 20,770,658	\$ 71,223,637
Accounts receivable	28,003,197	141,852	886,761	29,031,810
Inventories	224,785	-	56,674	281,459
Total assets	<u>\$ 38,352,779</u>	<u>\$ 40,470,034</u>	<u>\$ 21,714,093</u>	<u>\$ 100,536,906</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 10,513,306	\$ 5,388,075	\$ 1,473,345	\$ 17,374,726
Deferred revenue	252,578	-	16,667	269,245
Total liabilities	<u>10,765,884</u>	<u>5,388,075</u>	<u>1,490,012</u>	<u>17,643,971</u>
FUND BALANCES				
Reserved for:				
Inventories	224,785	-	56,674	281,459
Revolving cash	20,000	-	-	20,000
Debt service	-	-	4,486,328	4,486,328
Unreserved; reported in:				
General fund	27,342,110	-	-	27,342,110
Special revenue funds	-	-	7,304,035	7,304,035
Capital project funds	-	35,081,959	8,377,044	43,459,003
Total fund balances	<u>27,586,895</u>	<u>35,081,959</u>	<u>20,224,081</u>	<u>82,892,935</u>
Total liabilities and fund balances	<u>\$ 38,352,779</u>	<u>\$ 40,470,034</u>	<u>\$ 21,714,093</u>	<u>\$ 100,536,906</u>

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds	\$ 82,892,935
Amounts reported for governmental <i>activities</i> in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets is \$328,992,582 and the accumulated depreciation is (\$62,069,375).	
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	266,923,207
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in assets on the government-wide statement of net assets are:	(656,952)
In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:	2,346,641
Compensated absences payable	\$ 1,459,150
Certificates of participation payable	11,575,000
General obligation bonds payable	136,339,206
Unamortized premiums on long-term debt	3,377,198
Other postemployment benefits	14,511,931
Other general long-term debt	128,711
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:	(167,391,196)
Total net assets - governmental activities	<u>\$ 208,689,793</u>

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
General revenues:				
Property taxes	\$ 19,952,333	\$ -	\$ 5,841,606	\$ 25,823,939
Federal and state aid not restricted to specific purpose	98,794,131	-	56,096	98,850,227
Interest and investment earnings	432,562	759,430	365,312	1,557,304
Intergovernmental revenues	975,223	85,776	396,871	1,457,870
Miscellaneous	3,311,638	-	1,058,065	4,369,703
Program revenues:				
Charges for services	38,408,738	289,408	8,299,947	46,998,093
Operating grants and contributions	-	-	4,490,248	4,490,248
Capital grants and contributions	-	-	20,508,145	20,508,145
Total revenues	161,904,625	1,134,611	-	183,517,236
EXPENDITURES				
Instructional services:				
Instruction	91,731,702	-	3,406,042	95,137,744
Instruction-related services:				
Supervision of instruction	8,160,838	-	-	8,160,838
Instructional library, media and technology	1,063,586	-	-	1,063,586
School site administration	11,240,492	-	1,598,382	12,838,874
Pupil support services:				
Home-to-school transportation	4,598,660	-	-	4,598,660
Food services	-	-	6,962,781	6,962,781
All other pupil services	11,662,510	-	105,067	11,767,577
General administration services:				
Data processing services	1,003,670	-	-	1,003,670
Other general administration	8,535,509	-	339,662	8,875,171
Plant services	16,210,922	146,427	366,095	16,723,444
Facility acquisition and construction	675,790	41,264,646	23,065,597	65,006,033
Ancillary services	924,757	-	-	924,757
Community services	982,991	-	-	982,991
Other outgo:				
Transfers between agencies	3,306,742	-	-	3,306,742
Debt service - principal	-	-	2,288,875	2,288,875
Debt service - interest	-	-	4,307,675	4,307,675
Debt service - issuance costs and discounts	-	-	-	90,984
Total expenditures	160,189,133	41,411,073	42,440,176	244,040,402
Excess (deficiency) of revenues over (under) expenditures	1,715,472	(40,276,459)	(21,932,031)	(60,493,018)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	432,830	-	4,343,636	4,776,466
Interfund transfers out	(4,629,258)	-	(452,830)	(5,082,150)
Total other financing sources and uses	(4,176,498)	-	3,590,806	(285,690)
Net change in fund balances	(2,461,024)	(40,276,459)	(18,041,225)	(60,778,708)
Fund balances, July 1, 2009	30,047,919	75,358,418	38,265,536	143,671,643
Fund balances, June 30, 2010	\$ 27,586,895	\$ 35,081,959	\$ 20,224,311	\$ 82,893,165

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Total net change in fund balances - governmental funds	\$ (60,778,708)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	
Expenditures for capital outlay	65,040,595
Depreciation expense	(4,459,680)
	60,580,915
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	1,675,000
In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. This year, the difference between OPEB costs and actual employer contributions was:	128,711
Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period was:	(6,399,909)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:	(209,273)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(2,075,188)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	153,066
Change in net assets of governmental activities	\$ 925,277
	\$ (60,000,109)

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Fund Net Assets - Proprietary Funds
June 30, 2010

	Governmental Activities: Internal Service Fund
ASSETS	
Current assets:	
Cash	\$ 26,639,254
Accounts receivable	2,925,003
Total current assets	<u>29,564,257</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	4,989,099
Total current liabilities	<u>4,989,099</u>
NET ASSETS	
Unrestricted	24,575,158
Total net assets	<u>\$ 24,575,158</u>

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Governmental Activities: Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 24,173,584
Other local revenues	6,063
Total operating revenues	<u>24,179,647</u>
OPERATING EXPENSES	
Classified salaries	383,287
Employee benefits	175,522
Books and supplies	12,944
Services and other operating expenditures	23,048,813
Total operating expenses	<u>23,620,566</u>
Operating income	<u>559,081</u>
NON-OPERATING REVENUES	
Interest income	366,196
Change in net assets	925,277
Net assets, July 1, 2009	23,649,881
Net assets, June 30, 2010	<u>\$ 24,575,158</u>

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Governmental Activities: Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 21,392,527
Cash payments for payroll, insurance and operating costs	(22,987,953)
Net cash used in operating activities	(1,595,426)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	366,196
Net cash provided by investing activities	366,196
Net decrease in cash	(1,229,230)
Cash, July 1, 2009	27,868,484
Cash, June 30, 2010	\$ 26,639,254
Reconciliation of operating income to net cash provided used in operating activities:	
Operating income	\$ 559,081
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(2,787,120)
Increase in accounts payable and current liabilities	632,613
Net cash used in operating activities	\$ (1,595,426)

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2010

	Trust Fund	Agency Funds	
	Retiree Benefits Fund	Student Body Funds	Payroll Clearing Fund
ASSETS			Total
Cash	\$ 2,739,246	\$ 978,205	\$ 1,333,491
Accounts receivable	9,290	2,018	-
Other assets	-	2,954	-
Inventory	-	14,586	-
Total assets	2,748,536	997,763	1,333,491
LIABILITIES			
Due to regulatory agencies	-	-	1,333,491
Accounts payable	7,382	51,041	58,423
Trust accounts & other	-	583,127	583,127
Due to student groups	-	363,595	363,595
Total liabilities	7,382	997,763	1,333,491
NET ASSETS	\$ 2,741,154		\$ 2,741,154

The notes to financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets – Trust Funds
For the Fiscal Year Ended June 30, 2010

	Trust Fund
	Retiree Benefits Fund
ADDITIONS	
Interest	\$ 38,057
Transfers in from other funds	285,690
Total additions	323,747
DEDUCTIONS	
Operating expenditures	103,324
Total deductions	103,324
Change in net assets	220,423
Net assets held in trust - July 1, 2009	2,520,731
Net assets held in trust - June 30, 2010	\$ 2,741,154

The notes to the financial statements are an integral part of this statement.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

Alhambra Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The Alhambra Unified School District Financing Corporation is a component unit of the District.

Financial Presentation:

For financial presentation purposes, each component unit's financial activity has been blended, or combined, with the financial data of the District. The financial statements present the financial activity of the Corporation within the Capital Projects Funds. Certificates of Participation and General Obligation Bonds issued by the corporation are included in the long-term liabilities. Fixed assets acquired or constructed by the component units are included in the Capital Projects Funds.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

B. Reporting Entity (continued)

The following are those aspects of the relationship between the District and the component units which satisfy the criteria of GASB Statement No. 14, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Manifestations of Oversight

- The component units and the District have common boards.
- The component units have no employees. The District's Superintendent functions as an agent of the component unit.
- The District exercises significant influence over operations of the component unit as all projects of the component unit involve the Alhambra Unified School District.

Accountability of Fiscal Matters

- The District is responsible for preparation of the annual budgets for the component units.

Scope of Public Service

- The component units were created specifically to finance capital improvements for the Alhambra Unified School District.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the district finances and meets the cash flow needs of its proprietary activities.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other fund for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and related claims.

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collected within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Revenues (continued)

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds, as follows:

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds

Non-major Governmental Funds:

- *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:
 1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
 2. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
 3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
 4. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
 5. Special Reserve for Post Employment Benefits to account for the proceeds from specific revenue sources that are restricted to the financing of particular activities.

- *Capital Projects Funds* are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains four non-major capital project funds:

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
2. The State School Building Lease-Purchase Fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings.
3. The County School Facilities Fund is used to account for state apportionments provided for modernization of school facilities under SB50.
4. The Special Reserve for Capital Outlay Fund is used to accumulate resources for capital projects and financial activity for certificates of participation.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

- *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one debt service fund:

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

Proprietary Funds:

- *Internal Service Funds* are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the *Self-Insurance Internal Service Fund*, which is more fully discussed in Note 10. The District also maintains one business type fund, the *Other Enterprise Fund*, which was set up to account for parent fees paid to an after-school program.

Fiduciary Funds:

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

- *Foundation Private-Purpose Trust Fund* is used to account for donated resources that are required to be held in trust for the purposes of the trust.
- *Agency Funds* are used to account for assets of others for which the District acts as an agent. The cash account within the payroll clearing fund is used to record dedicated funds for payroll and related expenses due to regulatory agencies, such as the I.R.S. and financial institutions. The District maintains an agency fund for the student body accounts. The District maintains one student body fund, which is used to account for the raising and the expending of money to promote the general welfare, morale, and the educational experience of the student body. The amounts reported for the student body fund represent the combined totals of all schools within the District.
- *Trust Funds* are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. The District maintains one other postemployment benefit plan trust fund, the Retiree Benefit Trust Fund.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the supplementary information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

2. Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

5. Compensated Absences (continued)

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, and any premiums, or discounts is reported as other financing sources and uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31. Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment. The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Use of Estimates

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New GASB Pronouncement

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Cash in county treasury	\$ 69,825,062	\$ 26,589,254	\$ 4,072,737
Cash on hand and in banks	-	-	978,205
Cash with fiscal agent	1,378,575	-	-
Cash in revolving fund	20,000	50,000	-
Total cash and cash equivalents	\$ 71,223,637	\$ 26,639,254	\$ 5,050,942

Policies and Practices

Governmental agencies in the state of California are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool, as the District is required to deposit all receipts and collections of monies with its County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is disclosed in the notes to the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Los Angeles County Investment Pool with a fair value of approximately \$101,069,879 and an amortized book value of \$100,487,053. The average weighted maturity for this pool is 536 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Los Angeles County Investment Pool is rated at least A by Moody's Investor Service.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's was not exposed to custodial risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3—ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of the following:

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Federal	\$ 4,625,184	\$ -	\$ -
State categorical	3,099,609	-	-
Other	21,307,017	2,925,003	11,308
Total accounts receivable	\$ 29,031,810	\$ 2,925,003	\$ 11,308

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 4 - INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2009-10 fiscal year are as follows:

	Transfers to Other Funds		
	General Fund	Governmental Funds	Other
General Fund	\$ -	\$ 452,830	\$ 452,830
Other Governmental Funds	4,343,636	-	4,343,636
Retiree Benefits Fund	285,690	-	285,690
Total	\$ 4,629,326	\$ 452,830	\$ 5,082,156
General Fund transfer to the Adult Education Fund for flexibility transfer.			\$ 3,400,000
General Fund transfer to the Deferred Maintenance Fund for state match.			943,636
General Fund transfer to the Retiree Benefits Fund for retiree benefits contribution.			285,690
Adult Education Fund transfer to the General Fund to return unused monies previously transferred in from the General Fund.			452,830
Total:			\$ 5,082,156

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 5 – FUND BALANCES

The following funds and balance amounts were designated by the District's governing board as of June 30, 2010, as follows:

	General Fund
Economic uncertainties	\$ 4,944,555
Donation carryover	352,643
Site generated carryover	179,249
Reserve for future deficit spending	17,596,608
Total designations	\$ 23,073,055

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 is shown below:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Capital Assets, not being depreciated				
Land	\$ 13,973,472	\$ -	\$ -	\$ 13,973,472
Work in process	51,027,858	64,685,857	6,421,440	109,292,275
Total non depreciable assets	65,001,330	64,685,857	6,421,440	123,265,747
Capital Assets, being depreciated				
Land improvements	3,628,756	111,680	-	3,740,436
Buildings and portables	181,765,998	6,465,502	-	188,231,500
Equipment - other than technology	5,404,623	198,996	-	5,603,619
Equipment - technology	2,321,331	-	-	2,321,331
Buses and other vehicles	2,969,839	-	-	2,969,839
Library Books	2,860,110	-	-	2,860,110
Total assets being depreciated	198,950,657	6,776,178	-	205,726,835
Capital Assets, being depreciated				
Land improvements	2,985,635	79,392	-	3,065,027
Buildings and portables	44,568,971	3,918,725	-	48,487,696
Equipment - other than technology	3,670,856	309,632	-	3,980,488
Equipment - technology	2,291,150	10,564	-	2,301,714
Buses and other vehicles	1,232,973	141,367	-	1,374,340
Library Books	2,860,110	-	-	2,860,110
Total accumulated depreciation	57,609,695	4,459,680	-	62,069,375
Governmental Activities - capital assets net	\$ 206,342,292	\$ 60,582,051	\$ 6,421,440	\$ 266,923,207

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Balance June 30, 2010	Due Within One Year
General Obligation Bonds	\$ 136,103,520	\$ 136,339,206	\$ 1,870,000
Unamortized Premium on Issuance	3,634,620	3,505,909	128,711
Certificates of Participation	11,575,000	11,575,000	-
Other Post-Employment Benefits	8,112,022	14,511,931	-
Compensated Absences	1,612,216	1,459,150	-
Totals	\$ 161,037,378	\$ 167,391,196	\$ 3,457,861

General Obligation Bond debt is paid from taxes collected by the County Treasurer and is recorded in the Bond Interest and Redemption Fund. Early Retirement, Supplementary Retirement and accumulated unpaid vacation is paid from resources of the General Fund.

A. General Obligation Bonds

A summary of the outstanding general obligation bonds as of June 30, 2010 is shown below:

Year Disbursed/ Issued	Interest Rate	Original Issue	July 1, 2009	Additions	Redemptions	June 30, 2010
1999 Election - Series A	4.0% - 7.75%	\$ 20,960,561	\$ 11,141,074	\$ 651,688	\$ 1,075,000	\$ 10,717,762
1999 Election - Series B	2.0% - 5.0%	9,038,640	10,417,764	170,361	25,000	10,563,125
2004 Election - Series A	3.5% - 5.0%	50,000,000	45,760,000	-	525,000	45,235,000
2004 Election - Series B	2.75% - 5.25%	34,999,695	34,999,695	982,681	-	35,982,376
2005 Issue - Refunding Bond	2.3% - 5.5%	8,940,000	8,783,000	-	50,000	8,733,000
2008 Election - Series A	3.0% - 5.0%	24,999,987	24,999,987	105,596	-	25,105,583
		\$ 148,938,883	\$ 136,103,520	\$ 1,910,686	\$ 1,675,000	\$ 136,339,206

1999 Election

In an election held June 8, 1999, the voters provided the District with the ability to issue \$30,000,000 in general obligation bonds. The bonds were approved to finance the repair and refurbishment of existing facilities. There were two issuances which consisted of:

- Series A, which was issued for \$20,960,561 on September 21, 1999 with interest rates ranging from 4.00% to 7.75%. The original issuance consisted of: (1) \$15,380,000 in current interest serial bonds; and, (2) \$5,580,561 in capital appreciation bonds. In 2005, a portion of the bonds, amounting to \$8,940,000, was advance refunded. The principal balance outstanding on June 30, 2010 was \$10,717,672, including \$5,137,201 in accreted interest.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

1999 Election (continued)

- Series B, which was issued for \$9,038,640 on March 30, 2004 with interest rates ranging from 2.50% to 5.00%. The issuance consisted of: (1) \$4,635,000 in current interest serial bonds; and, (2) \$4,274,758 in capital appreciation bonds. The principal balance on June 30, 2010 was \$10,563,125, including \$1,728,366 in accreted interest.

2004 Election

In an election held November 2, 2004, the voters provided the District with the ability to issue \$85,000,000 in general obligation bonds. The bonds were approved to finance the repair, upgrading, acquisition, construction and equipping of the district facilities and to pay costs of issuance of the Bonds.

- Series A, which was issued for \$50,000,000 on April 5, 2005 with interest rates ranging from 3.50% to 5.0%. The principal balance outstanding on June 30, 2010 was \$45,235,000.

- Series B, which was issued for \$34,999,695 on May 28, 2010 with interest rates ranging from 2.75% to 5.25%. The principal balance outstanding on June 30, 2010 was \$35,982,376, including \$982,681 in accreted interest.

2005 Refunding Bonds

The District issued \$8,940,000 in refunding bonds on March 2005. The proceeds from this issue were deposited into an escrow account and are being used to advance refund a portion of the 1999 Issue Series A bonds. The principal balance outstanding as of June 30, 2010 was \$8,735,000.

2008 Election

In an election held November 4, 2008, the voters provided the District with the ability to issue \$50,000,000 in general obligation bonds. The bonds were approved to acquire, upgrade, construct, improve and equip certain school property and facilities within the District. Series A was issued for \$24,999,987 on April, 16, 2008 with interest rates ranging from 3.0% to 5.0%. The principal balance outstanding as of June 30, 2010 was \$25,105,943, including \$105,956 in accreted interest.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal *	Interest	Total
2010-2011	\$ 1,870,000	\$ 4,747,856	\$ 6,617,856
2011-2012	2,290,000	4,675,875	6,965,875
2012-2013	2,700,000	4,593,250	7,293,250
2013-2014	2,100,255	5,329,620	7,429,875
2014-2015	2,261,271	5,475,417	7,736,688
2015-2020	17,259,642	26,336,096	43,595,738
2020-2025	31,041,995	21,580,836	52,622,831
2025-2030	37,878,393	21,112,902	58,991,295
2030-2035	18,329,891	39,854,448	58,184,339
2035-2040	8,613,585	44,636,415	53,250,000
2040-2042	4,039,970	28,960,030	33,000,000
	<u>\$ 128,385,002</u>	<u>\$ 207,302,745</u>	<u>\$ 335,687,747</u>

*Amount excludes \$7,954,204 in accreted interest on the capital appreciation bonds

B. Certificates of Participation

On May 1, 2008, the District issued \$11,575,000 in Certificates of Participation at an interest rate ranging from 3.00% to 5.50% and maturing April 1, 2026. The principal balance outstanding as of June 30, 2010 was \$11,575,000. The annual requirements to amortize the certificates of participation are as follows:

Fiscal Year	Principal	Interest	Total
2010-2011	\$ -	\$ 613,875	\$ 613,875
2011-2012	-	613,875	613,875
2012-2013	450,000	613,875	1,063,875
2013-2014	500,000	600,375	1,100,375
2014-2015	535,000	584,375	1,119,375
2015-2020	3,040,000	2,457,125	5,497,125
2020-2025	3,935,000	1,529,275	5,464,275
2025-2026	3,115,000	291,225	3,406,225
	<u>\$ 11,575,000</u>	<u>\$ 7,304,000</u>	<u>\$ 18,879,000</u>

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – JOINT VENTURES

The Alhambra Unified School District participates in one joint powers agreement (JPA) entity, the Alliance of Schools for Cooperative Insurance Programs (ASCIP). ASCIP provides property and liability insurance for its participating school districts, along with medical and dental benefits.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Alhambra Unified School District beyond the District's representation on the governing boards. Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the Alhambra Unified School District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. Condensed current financial information of the three JPA's is shown below:

	ASCIP Audited June 30, 2009
Assets	<u>\$ 222,498,179</u>
Liabilities	<u>\$ 131,161,256</u>
Net assets	<u>\$ 91,336,923</u>
Revenues	\$ 164,463,276
Expenses	<u>167,424,949</u>
Operating income	<u>(2,961,673)</u>
Non-operating income	<u>9,572,468</u>
Change in net assets	<u>\$ 6,610,795</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. State and Federal Allowances, Awards, and Grants
The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.
- B. Construction Commitments
As of June 30, 2010, the District had commitments with respect to unfinished capital projects of approximately \$12,975,330.
- C. Litigation
The District is involved in various litigation matters. In the opinion of management, the disposition of all pending litigation will not have a material effect on the District's financial statements.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 8, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2010:

Claims payable and other liabilities at beginning of year	\$ 4,142,255
Current year claims and changes in estimates	(22,019,275)
Claim payments	22,641,371
Claims payable and other liabilities at end of year	<u>\$ 4,764,351</u>

NOTE 11 - EMPLOYEE RETIREMENT PLANS

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

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Percent of Required	
	Contribution	Contribution
2009-10	\$ 2,389,084	100%
2008-09	\$ 2,365,262	100%
2007-08	\$ 2,787,131	100%

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2009-10	\$ 6,171,208	100%
2008-09	\$ 6,287,598	100%
2007-08	\$ 6,514,179	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,191,824 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following at July 1, 2009, the date of the latest actuarial study valuation:

Retirees and beneficiaries receiving benefits	822
Active plan members	1,049
Total	<u>1,871</u>

Number of participating employers 1

The District has two plans that provide post-employment health benefits to eligible retirees:

Lifetime Plan - Lifetime retiree health benefits are provided to the following eligible groups:

- Certificated: Employees hired on or before March 31, 1986 with a least 15 years of District service and retiring at a minimum age of 55; or, with 30 years of eligible service and retiring between ages 50-55.
- Management: Employees hired on or before August 31, 1984 with a least 15 years of District service and retiring at a minimum age of 55.
- Classified: Employees hired on or before December 31, 1984 with a least 15 years of District service and retiring at a minimum age of 50.

Bridge Plan - Retiree health benefits are provided until Medicare age eligible to eligible District retirees, their spouse or domestic partner and eligible dependents, according to the following criteria:

- Certificated: Employees hired on or after April 1, 1986 with a least 15 years of District service and retiring at a minimum age of 55; or, with 30 years of eligible service and retiring between ages 50-55. Under this plan, the retiree must choose between CICNA and Kaiser only.
- Classified: Employees hired on or after January 1, 1985 with a least 15 years of District service and retiring at a minimum age of 50.

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (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 unfunded actuarial accrued liabilities (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:

	Amount
Annual required contribution (ARC)	\$ 13,416,189
Interest on net OPEB obligation	683,745
Adjustment to ARC	(827,889)
Annual OPEB cost	13,272,045
Contributions made	(10,155,861)
Adjustment to prior years contributions	3,283,725
Increase in net OPEB obligation	6,399,909
Net OPEB obligation - July 1, 2009	8,112,022
Net OPEB obligation - June 30, 2010	<u><u>\$ 14,511,931</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008, 2009 and 2010 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008	\$ 13,416,189	71%	\$ 3,849,678
2009	\$ 13,336,387	39%	\$ 8,112,022
2010	\$ 13,272,045	77%	\$ 14,511,931

ALHAMBRA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was unfunded. However, the District has set-aside \$2,160,355 in the Special Reserve for Postemployment Benefits Fund, and \$2,741,154 in the Retiree Benefits Fund to be used for retiree health benefits. The actuarial accrued liability (AAL) for benefits was \$148.7 million and the unfunded actuarial accrued liability (UAAL) was \$148.7 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2007
Actuarial Cost Method	Projected unit credit
Amortization Method	Level-dollar basis
Remaining Amortization Period	28 years
Asset Valuation	\$0
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	6.0%
Healthcare cost trend rate	8.0%

NOTE 13 – TAX REVENUE ANTICIPATION NOTES

The District issued \$3,000,000 of Tax Revenue Anticipation Notes dated July 1, 2009 through the Los Angeles County Schools Financing Program. The notes matured on June 30, 2010 and yielded 2.5% interest. The notes were sold by the District to supplement its cash flow.

Subsequent to June 30, 2010, the District issued \$5,000,000 of Tax Revenue Anticipation Notes dated July 1, 2010 through the Los Angeles County Schools Financing Program. The notes matured on June 30, 2011 and yielded 2.0% interest. The notes were sold by the District to supplement its cash flow.

Required Supplementary Information

ALHAMBRA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
REVENUES				
Revenue limit sources				
Federal	\$ 105,866,131	\$ 100,705,344	\$ 100,758,985	\$ 53,641
Other state	2,657,875	21,506,130	22,045,486	542,356
Other local	27,184,483	25,762,778	25,573,033	(189,745)
Total revenues	147,863,098	132,166,505	13,524,121	307,616
		161,190,757	161,904,625	713,868
EXPENDITURES				
Certificated salaries	73,344,139	73,922,764	73,709,795	212,969
Classified salaries	24,947,280	23,850,435	23,761,252	89,183
Employee benefits	39,676,230	38,568,394	38,466,757	101,637
Books and supplies	5,489,051	4,822,234	4,822,234	-
Services and other operating expenditures	17,988,244	16,952,559	15,758,033	1,194,526
Capital outlay	111,500	704,002	704,002	-
Transfers of indirect costs	(360,967)	(329,770)	(339,662)	9,892
Other outgo	4,105,421	3,457,317	3,306,742	150,575
Total expenditures	165,300,898	161,947,935	160,189,153	1,758,782
Excess (deficiency) of revenues over (under) expenditures	(17,437,800)	(757,178)	1,715,472	2,472,650
OTHER FINANCING SOURCES AND USES				
Interfund transfers in	-	-	452,830	452,830
Interfund transfers out	(4,229,326)	(4,629,326)	(4,629,326)	-
Total other financing sources and uses	(4,229,326)	(4,629,326)	(4,176,496)	452,830
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(21,667,126)	(5,386,504)	(2,461,024)	2,925,480
Fund balances, July 1, 2009	30,047,919	30,047,919	30,047,919	-
Fund balances, June 30, 2010	\$ 8,380,793	\$ 24,661,415	\$ 27,586,895	\$ 2,925,480

ALHAMBRA UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 148,706,908	\$ 148,706,908	0%	\$ 69,468,009	21.4%

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL REGARDING THE BONDS

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series B Bonds substantially in the following form:

February 23, 2011

Governing Board
Alhambra Unified School District
Elementary Schools Improvement District

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$13,199,720.75 Alhambra Unified School District Elementary Schools Improvement District Election of 2008 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a fifty-five percent vote of the qualified electors of the Alhambra Unified School District Elementary Schools Improvement District ("the Improvement District") voting at an election held on November 4, 2008, and a resolution of the Board of Education of the Alhambra Unified School District (the "School District"), acting as the Governing Board of the Improvement District (the "Resolution").
2. The Bonds constitute valid and binding general obligations of the Improvement District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the Improvement District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest is not included as an adjustment in the calculation of alternative minimum taxable income.
4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series B-1 Bonds substantially in the following form:

February 23, 2011

Governing Board
Alhambra Unified School District
Elementary Schools Improvement District

Members of the Governing Board:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$11,800,000 Alhambra Unified School District Elementary Schools Improvement District Election of 2008 General Obligation Bonds, Series B-1 (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a fifty-five percent vote of the qualified electors of the Alhambra Unified School District Elementary Schools Improvement District (“the Improvement District”) voting at an election held on November 4, 2008, and a resolution of the Board of Education of the Alhambra Unified School District (the “School District”), acting as the Governing Board of the Improvement District (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the Improvement District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the Improvement District, which taxes are unlimited as to rate or amount.
3. Interest on the Bonds is exempt from State of California personal income tax.
4. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Bond Resolution permits certain actions to

be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

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

Any federal tax advice contained herein (including any attachments) is not intended or written to be used, and it cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code of 1986, as amended, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE IMPROVEMENT DISTRICT

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Alhambra Unified School District (the “District”) in connection with the issuance of \$24,999,720.75 of Alhambra Unified School District Elementary Schools Improvement District Election of 2008 General Obligation Bonds, Series B and Series B-1 (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the Board of Education of the Alhambra Unified School District, acting as the Governing Board of the Alhambra Unified School District Elementary Schools Improvement District (the “Improvement District”), dated January 25, 2011 (the “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 Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

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

“Holders” shall mean registered owners of the Bonds.

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

“Participating Underwriter” shall mean George K. Baum & Company or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months following the end of the District's fiscal year (which shall be April 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2010-11 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

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

SECTION 4. Content and Form of Annual Reports.

(a) The content of the District's Annual Report shall contain or include by reference the following:

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

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

- (i) State funding received by the District for the last completed fiscal year;
- (ii) average daily attendance of the District for the last completed fiscal year;
- (iii) outstanding District indebtedness;

- (iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.
10. final expenditure of proceeds of the Series B-1 Bonds from the Series B-1 Building Fund.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.

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

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

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

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

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

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

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

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District

under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: February 23, 2011

ALHAMBRA UNIFIED SCHOOL DISTRICT

By: _____
Superintendent
Alhambra Unified School District

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Alhambra Unified School District

Name of Bond Issue: Alhambra Unified School District Elementary Schools Improvement District
Election of 2008 General Obligation Bonds, Series B and Series B-1

Date of Issuance: February 23, 2011

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

Dated: _____

ALHAMBRA UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Improvement District believe to be reliable, but the Improvement District take no responsibility for the completeness or accuracy thereof. The Improvement District cannot and do not give any assurances 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) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially 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 certificate for each maturity will be issued for the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected

to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal 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 the District on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent (as defined in the Official Statement), the District, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the District, or the County or the District may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, fully registered physical certificates are required to be printed and delivered.

Discontinuation of the Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry-only system is discontinued, payments of principal and accreted value of and interest on the Bonds shall be payable as described herein.

The principal and Maturity Value of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal amount, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and authorized denominations upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the registered owner equal in the aggregate to the unmatured principal or denominational amount of the Bond surrendered.

Neither the Improvement District, the County nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

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APPENDIX F

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF ALHAMBRA AND THE COUNTY OF LOS ANGELES

The following economic data for the City of Alhambra (the “City”) and The County of Los Angeles (the “County”) are presented for information purposes only. The Certificates are not a debt or obligation of either the City or the County.

General Information

The County was incorporated on February 18, 1850 and is one of the original counties of California. With 4,061 square miles, Los Angeles County borders 70 miles of coast on the Pacific Ocean. The County is home to 88 incorporated cities and many unincorporated areas. In between the large desert portions of the county — which make up around 40 percent of its land area — and the heavily urbanized central and southern portions sits the San Gabriel Mountains containing Angeles National Forest. All of southern Los Angeles County, north to about the center of the county, is heavily urbanized.

The City, founded in 1903, is located in the San Gabriel Valley in the eastern portion of the County. Approximately 7.6 square miles in size, it borders the cities of San Marino, South Pasadena, San Gabriel and Monterey Park, as well as the Los Angeles communities of Monterey Hills and El Sereno.

Population

The population of the County in 2010 was estimated to be 177,641 persons, with approximately 1.7% of the County’s population living in the City. The County’s population increased by approximately 14.7% between 1996 and 2010, representing an average annual compound growth rate of approximately 0.9%. The City, by comparison, saw its population grow by 6.6% over the same period, resulting in an average compound growth rate of 0.4%. The historic population of the City, the County and the State is shown below.

POPULATION ESTIMATES City Of Alhambra, County Of Los Angeles And State Of California 1996-2010

<u>Year as of January 1</u>	<u>City of Alhambra</u>	<u>Percent Change</u>	<u>County of Los Angeles</u>	<u>Percent Change</u>	<u>State of California</u>	<u>Percent Change</u>
1996	83,965	--	9,104,719	--	31,837,399	--
1997	83,871	(0.11)%	9,147,051	0.46%	32,207,869	1.16%
1998	84,081	0.25	9,225,813	0.86	32,657,877	1.40
1999	84,488	0.48	9,330,171	1.13	33,140,771	1.48
2000 ⁽²⁾	85,757	1.50	9,477,651	1.58	33,721,583	1.75
2002	87,848	1.20	9,814,410	1.64	35,063,959	1.84
2003	88,713	0.98	9,957,471	1.46	35,652,700	1.68
2005	89,929	0.56	10,153,479	0.81	36,676,931	1.32
2006	88,990	(1.04)	10,202,094	0.48	37,087,005	1.12
2007	88,637	(0.40)	10,231,000	0.28	37,463,609	1.02
2008	88,614	(0.03)	10,285,296	0.53	37,871,509	1.09
2009	88,846	0.26	10,355,053	0.68	38,255,508	1.01
2010	89,501	0.74	10,441,080	0.83	38,648,090	1.03

⁽¹⁾ As of April 1.

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

Median Household Income

Effective Buying Income (EBI) is defined as personal income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes median household EBI for the County, the State of California and the United States.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME County of Los Angeles, State of California, and United States of America 1998 through 2009

<u>Year</u>	Los Angeles <u>County</u>	<u>California</u>	<u>United States</u>
1998	\$34,554	\$37,091	\$35,377
1999	36,730	39,492	37,233
2000	41,628	44,464	39,129
2001	40,789	43,532	38,365
2002	37,983	42,484	38,035
2003	38,311	42,924	38,201
2004	39,414	43,915	39,324
2005	40,020	44,681	40,529
2006	41,683	46,275	41,255
2007	43,710	48,203	41,792
2008	44,653	48,952	42,303
2009	45,390	49,736	43,252

Source: The Nielson Company (US), Inc.

Personal Income

Per capita personal income in the County grew by 47.7% from 1999 to 2008, representing an average annual compound growth of 4.0%. The following tables summarize per capital personal income for the County, the State of California and the United States for 1999 to 2008.

PER CAPITAL PERSONAL INCOME County of Los Angeles, State of California, and United States of America 1999-2008

<u>Year</u> ⁽¹⁾	Los Angeles <u>County</u>	% Annual <u>Change</u>	State of <u>California</u>	% Annual <u>Change</u>	United States <u>of America</u>	% Annual <u>Change</u>
1999	\$28,607	--	\$30,679	--	\$28,333	--
2000	29,865	4.4%	33,398	8.9%	30,318	7.0%
2001	31,495	5.5	33,890	1.5	31,145	2.7
2002	32,041	1.7	34,045	0.5	31,462	1.0
2003	32,961	2.9	34,977	2.7	32,271	2.6
2004	34,481	4.6	36,904	5.5	33,881	5.0
2005	36,434	5.7	38,767	5.1	35,424	4.6
2006	39,519	8.5	41,567	7.2	37,698	6.4
2007	41,307	4.5	43,402	4.4	39,392	4.5
2008	42,265	2.3	43,852	1.0	40,166	2.0

Note: Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2000-2007 reflect county population estimates available as of April 2008. All dollar estimates are in current dollars (not adjusted for inflation).

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

Employment

The following table summarizes the labor force, employment and unemployment figures over the period 2005 through 2009 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT YEARLY AVERAGE
City of Alhambra, County of Los Angeles, State of California,
and United States of America
2005-2009

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽¹⁾	<u>Unemployment</u> ⁽²⁾	<u>Unemployment Rate (%)</u> ⁽³⁾
2005				
City of Alhambra	44,700	42,600	2,000	4.6%
Los Angeles County	4,771,400	4,516,000	255,400	5.4
State of California	17,544,800	16,952,200	952,600	5.4
United States	149,320,000	141,730,000	7,591,000	5.1
2006				
City of Alhambra	44,900	43,100	1,800	4.1%
Los Angeles County	4,797,400	4,568,200	229,300	4.8
State of California	17,718,500	16,851,600	866,900	4.9
United States ⁽⁴⁾	151,428,000	144,427,000	7,001,000	4.6
2007				
City of Alhambra	45,600	43,600	2,000	4.3%
Los Angeles County	4,863,800	4,617,100	246,700	5.1
State of California	17,970,800	17,011,000	959,800	5.3
United States ⁽⁴⁾	153,124,000	146,047,000	7,078,000	4.6
2008				
City of Alhambra	46,000	43,000	2,900	6.4%
Los Angeles County	4,924,500	4,557,300	367,200	7.5
State of California	18,251,600	16,938,300	1,313,200	7.2
United States ⁽⁴⁾	154,287,000	145,362,000	8,924,000	5.8
2009				
City of Alhambra	45,400	40,900	4,600	10.0%
Los Angeles County	4,896,100	4,328,600	567,500	11.6
State of California	18,250,200	16,163,900	2,086,200	11.4
United States ⁽⁴⁾	154,142,000	139,877,000	14,265,000	9.3

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

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

⁽⁴⁾ Not strictly comparable with data for prior years.

Source: California Employment Development Department, based on March 2009 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics

Largest Employers

The following table sets forth the top private sector employers located in the County:

LARGEST PRIVATE-SECTOR EMPLOYERS County Of Los Angeles 2009

<u>Rank</u>	<u>Company</u>	<u>Los Angeles County Employees</u>	<u>Description</u>
1.	Kaiser Permanente	34,179	Non-profit health plan
2.	Northrop Grumman Corp.	19,137	Defense contractor
3.	Boeing Co.	14,400	Integrated aerospace and defense systems
4.	Kroger Co.	14,000	Grocery retailer
5.	University of Southern California	13,044	Private university
6.	Target	13,000	Retailer
7.	The Home Depot	10,000	Home improvement specialty retailer
8.	Wells Fargo	9,800	Diversified financial services
9.	Providence Health System	9,715	Medical centers
10.	Vons	9,688	Grocery retailer
11.	Cedars Sinai Medical Center	9,300	Medical center
12.	ABM Industries Inc.	9,000	Facility services, janitorial, parking, security, engineering and lighting
13.	AT&T Inc.	8,950	Telecommunications
14.	California Institute of Technology	8,504	Private university, operator of Jet Propulsion Laboratory
15.	Fedex Corp.	8,500	Shipping and logistics
16.	Catholic Healthcare West	7,275	Hospitals
17.	Amgen Inc.	6,500	Biotechnology
18.	Costco Wholesale	5,587	Membership chain of warehouse stores
19.	Long Beach Memorial Medical Center	5,400	Regional hospital
20.	UPS	5,100	Transportation and freight

Source: *Los Angeles Business Journal 2009, The Book of Lists 2010.*

The following table sets forth the ten largest employers located within in the City.

LARGEST EMPLOYERS City of Alhambra 2009

<u>Rank</u>	<u>Company</u>	<u>Employees</u>	<u>Description</u>
1.	Los Angeles County Public Works	3,600	Government – trash removal, recycling, etc.
2.	Alhambra Unified School District	1,524	Public education
3.	County of Los Angeles	1,500	County government
4.	Southern California Edison	800	Utility
5.	Alhambra City Hall	650	City government
6.	Alhambra Hospital Medical Center	600	Healthcare services
7.	Empire Building Maintenance Co.	420	Building maintenance services
8.	Costco	369	Goods wholesaler
9.	Southwest Administrators	285	Trust fund administrators
10.	Target	275	Retailer

Source: *City of Alhambra Development Services Department.*

Industry Employment

The City is included in the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for the calendar years 2005 through 2009. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the City.

INDUSTRY EMPLOYMENT & LABOR FORCE Los Angeles-Long Beach-Glendale Metropolitan Division 2005-2009 by Annual Average

<u>Category</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Farm	7,400	7,600	7,500	6,900	6,200
Total Nonfarm	4,024,200	4,092,500	4,122,100	4,070,700	3,829,400
Total Private	3,440,500	3,503,100	3,526,400	3,467,000	3,229,900
Goods Producing	624,100	623,200	611,200	584,000	509,700
Natural Resources and Mining	3,700	4,000	4,400	4,400	4,100
Construction	148,700	157,500	157,600	145,200	116,500
Manufacturing	471,700	461,700	449,200	434,500	389,200
Durable Goods	263,400	257,300	250,900	243,200	217,100
Nondurable Goods	208,300	204,400	198,300	191,200	172,000
Service Providing	3,400,100	3,469,300	3,510,900	3,486,700	3,319,700
Private Service Producing	2,816,400	2,879,800	2,915,200	2,883,000	2,720,200
Trade, Transportation and Utilities	795,400	814,100	818,500	803,300	742,500
Wholesale Trade	219,300	225,700	227,000	223,700	204,100
Retail Trade	414,400	423,300	426,000	416,500	386,600
Transportation, Warehousing and Utilities	161,700	165,200	165,600	163,100	151,700
Information	207,600	205,600	209,800	210,300	193,700
Financial Activities	244,000	248,800	246,000	235,700	220,200
Professional and Business Services	576,100	598,900	605,400	582,600	528,100
Educational and Health Services	471,300	478,700	490,500	503,400	513,900
Leisure and Hospitality	377,800	388,600	397,900	401,600	383,900
Other Services	144,300	145,200	147,100	146,100	137,900
Government	<u>583,700</u>	<u>589,400</u>	<u>595,700</u>	<u>603,700</u>	<u>599,500</u>
Total, All Industries	<u>4,031,600</u>	<u>4,100,100</u>	<u>4,129,600</u>	<u>4,077,600</u>	<u>3,835,600</u>

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

Source: *State of California, Employment Development Department, Labor Market Information Division, Los Angeles MSA Annual Average Labor Force and Industry Employment, March 2009 Benchmark.*

Commercial Activity

A summary of historic taxable sales within the City for years 2005 through 2009 is shown in the following table.

TAXABLE SALES
City of Alhambra
2005-2009
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	918	\$1,054,524	1,860	\$1,172,438
2006	951	1,065,152	1,871	1,184,383
2007	973	1,057,789	1,841	1,184,753
2008	964	997,158	1,789	1,129,273
2009	1,013	902,113	1,589	1,024,896

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

Taxable sales in the County from 2005 through 2009 are shown in the following table.

TAXABLE SALES
County of Los Angeles
2005-2009
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2005	139,641	\$92,271,155	298,083	\$130,722,373
2006	142,512	95,554,193	295,701	136,162,552
2007	142,380	96,095,711	290,344	137,820,418
2008	146,999	89,810,309	289,802	131,881,744
2009	175,461	78,444,115	264,928	112,744,722

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

Building Activity

The table below sets forth the building permit valuations in the County from 2006 through 2010.

BUILDING PERMIT VALUATIONS County of Los Angeles 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽²⁾
Valuation (\$000's)					
Residential	\$6,747,466	\$5,922,000	\$3,954,515	\$2,393,256	\$80,130
Non-Residential	<u>3,895,536</u>	<u>4,678,000</u>	<u>4,490,637</u>	<u>2,673,543</u>	<u>168,932</u>
Total ⁽¹⁾	\$10,643,002	\$10,600,000	\$8,445,153	\$5,066,800	\$327,164
Units					
Single Family	10,097	7,408	3,539	2,131	145
Multiple Family	<u>16,251</u>	<u>12,820</u>	<u>10,165</u>	<u>3,522</u>	<u>150</u>
Total ⁽¹⁾	26,348	20,228	13,704	5,653	295

Note: ⁽¹⁾ Totals may not add to sum because of rounding.

⁽²⁾ Figures are through end of January 2010.

Source: Construction Industry Research Board.

The table below sets forth the building permit valuations in the City from 2006 through 2010.

BUILDING PERMIT VALUATIONS City of Alhambra 2006 - 2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽²⁾
Valuation (\$000's)					
Residential	\$21,915	\$27,416	\$20,275	\$14,583	\$213
Non-Residential	<u>10,233</u>	<u>31,047</u>	<u>21,002</u>	<u>8,277</u>	<u>274</u>
Total ⁽¹⁾	\$32,148	\$58,463	\$41,277	\$22,860	\$486
Units					
Single Family	18	19	17	11	0
Multiple Family	<u>12</u>	<u>100</u>	<u>75</u>	<u>56</u>	<u>0</u>
Total ⁽¹⁾	30	119	92	67	0

Note: ⁽¹⁾ Totals may not add to sum because of rounding.

⁽²⁾ Figures are through end of January 2010.

Source: Construction Industry Research Board.

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APPENDIX G

ACCRETED VALUES TABLE

Alhambra Unified School District
Elementary Schools Improvement District
Election of 2008, General Obligation Bonds, Series B
Table of Accreted Values - Delivery Date: 2/23/2011

	<u>2029 Serial</u>	<u>2030 Serial</u>	<u>2031 Serial</u>	<u>2032 Serial</u>	<u>2033 Serial</u>	<u>2034 Serial</u>	<u>2035 Serial</u>	<u>2036 Serial</u>	<u>2037 Serial</u>
Final Maturity	8/1/2029	8/1/2030	8/1/2031	8/1/2032	8/1/2033	8/1/2034	8/1/2035	8/1/2036	8/1/2037
Maturity Value	690,000	2,000,000	2,175,000	5,250,000	3,000,000	6,450,000	6,700,000	7,000,000	7,300,000
Accretion Rate	10.245%	10.245%	10.245%	10.245%	7.530%	7.590%	7.630%	7.660%	7.670%
Date	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000	Per 5,000
2/23/2011	792.25	716.95	648.75	587.05	952.00	872.25	802.05	738.75	683.50
8/1/2011	827.76	749.09	677.83	613.37	983.39	901.24	828.85	763.53	706.46
2/1/2012	870.17	787.46	712.55	644.79	1,020.42	935.44	860.47	792.77	733.55
8/1/2012	914.74	827.80	749.06	677.82	1,058.83	970.94	893.30	823.14	761.68
2/1/2013	961.60	870.20	787.43	712.54	1,098.70	1,007.79	927.37	854.66	790.89
8/1/2013	1,010.86	914.78	827.76	749.04	1,140.07	1,046.04	962.75	887.39	821.22
2/1/2014	1,062.64	961.64	870.17	787.41	1,182.99	1,085.74	999.48	921.38	852.72
8/1/2014	1,117.08	1,010.90	914.74	827.75	1,227.53	1,126.94	1,037.62	956.67	885.42
2/1/2015	1,174.30	1,062.68	961.60	870.15	1,273.75	1,169.71	1,077.20	993.31	919.37
8/1/2015	1,234.46	1,117.12	1,010.86	914.73	1,321.70	1,214.10	1,118.30	1,031.36	954.63
2/1/2016	1,297.69	1,174.34	1,062.64	961.58	1,371.47	1,260.18	1,160.96	1,070.86	991.24
8/1/2016	1,364.17	1,234.50	1,117.08	1,010.84	1,423.10	1,308.00	1,205.25	1,111.87	1,029.26
2/1/2017	1,434.05	1,297.73	1,174.30	1,062.63	1,476.68	1,357.64	1,251.23	1,154.46	1,068.73
8/1/2017	1,507.51	1,364.21	1,234.46	1,117.06	1,532.28	1,409.16	1,298.97	1,198.67	1,109.72
2/1/2018	1,584.74	1,434.09	1,297.69	1,174.28	1,589.97	1,462.64	1,348.52	1,244.58	1,152.28
8/1/2018	1,665.92	1,507.55	1,364.17	1,234.44	1,649.83	1,518.15	1,399.97	1,292.25	1,196.47
2/1/2019	1,751.26	1,584.78	1,434.05	1,297.68	1,711.95	1,575.77	1,453.38	1,341.74	1,242.35
8/1/2019	1,840.97	1,665.96	1,507.51	1,364.15	1,776.41	1,635.57	1,508.83	1,393.13	1,289.99
2/1/2020	1,935.27	1,751.30	1,584.74	1,434.03	1,843.29	1,697.64	1,566.39	1,446.49	1,339.47
8/1/2020	2,034.41	1,841.01	1,665.92	1,507.49	1,912.69	1,762.06	1,626.15	1,501.89	1,390.84
2/1/2021	2,138.62	1,935.31	1,751.26	1,584.72	1,984.70	1,828.94	1,688.19	1,559.41	1,444.18
8/1/2021	2,248.18	2,034.45	1,840.97	1,665.90	2,059.43	1,898.34	1,752.59	1,619.14	1,499.56
2/1/2022	2,363.34	2,138.67	1,935.27	1,751.24	2,136.96	1,970.39	1,819.45	1,681.15	1,557.07
8/1/2022	2,484.41	2,248.22	2,034.41	1,840.95	2,217.42	2,045.17	1,888.87	1,745.54	1,616.78
2/1/2023	2,611.68	2,363.38	2,138.62	1,935.25	2,300.91	2,122.78	1,960.93	1,812.39	1,678.79
8/1/2023	2,745.46	2,484.45	2,248.18	2,034.39	2,387.54	2,203.34	2,035.74	1,881.81	1,743.17
2/1/2024	2,886.10	2,611.71	2,363.34	2,138.61	2,477.43	2,286.96	2,113.40	1,953.88	1,810.02
8/1/2024	3,033.95	2,745.50	2,484.41	2,248.16	2,570.70	2,373.75	2,194.03	2,028.71	1,879.44
2/1/2025	3,189.36	2,886.14	2,611.68	2,363.33	2,667.49	2,463.84	2,277.73	2,106.41	1,951.51
8/1/2025	3,352.74	3,033.98	2,745.46	2,484.39	2,767.92	2,557.34	2,364.63	2,187.09	2,026.35
2/1/2026	3,524.49	3,189.40	2,886.10	2,611.66	2,872.14	2,654.40	2,454.84	2,270.85	2,104.07
8/1/2026	3,705.04	3,352.77	3,033.95	2,745.45	2,980.27	2,755.13	2,548.50	2,357.83	2,184.76
2/1/2027	3,894.83	3,524.52	3,189.36	2,886.09	3,092.48	2,859.69	2,645.72	2,448.13	2,268.54
8/1/2027	4,094.35	3,705.06	3,352.74	3,033.93	3,208.91	2,968.22	2,746.66	2,541.90	2,355.54
2/1/2028	4,304.09	3,894.86	3,524.49	3,189.35	3,329.73	3,080.86	2,851.45	2,639.25	2,445.88
8/1/2028	4,524.57	4,094.37	3,705.04	3,352.73	3,455.10	3,197.79	2,960.23	2,740.34	2,539.68
2/1/2029	4,756.35	4,304.11	3,894.83	3,524.48	3,585.18	3,319.14	3,073.16	2,845.29	2,637.08
8/1/2029	5,000.00	4,524.58	4,094.35	3,705.03	3,720.16	3,445.11	3,190.41	2,954.27	2,738.21
2/1/2030		4,756.36	4,304.09	3,894.82	3,860.23	3,575.85	3,312.12	3,067.41	2,843.22
8/1/2030		5,000.00	4,524.57	4,094.34	4,005.57	3,711.56	3,438.48	3,184.90	2,952.26
2/1/2031			4,756.35	4,304.08	4,156.38	3,852.41	3,569.66	3,306.88	3,065.48
8/1/2031			5,000.00	4,524.57	4,312.87	3,998.62	3,705.85	3,433.53	3,183.04
2/1/2032				4,756.35	4,475.25	4,150.37	3,847.23	3,565.04	3,305.12
8/1/2032				5,000.00	4,643.74	4,307.88	3,994.00	3,701.58	3,431.87
2/1/2033					4,818.58	4,471.36	4,146.37	3,843.35	3,563.48
8/1/2033					5,000.00	4,641.05	4,304.56	3,990.55	3,700.14
2/1/2034						4,817.18	4,468.78	4,143.39	3,842.04
8/1/2034						5,000.00	4,639.27	4,302.08	3,989.39
2/1/2035							4,816.26	4,466.85	4,142.38
8/1/2035							5,000.00	4,637.93	4,301.25
2/1/2036								4,815.56	4,466.20
8/1/2036								5,000.00	4,637.48
2/1/2037									4,815.33
8/1/2037									5,000.00

Alhambra Unified School District
Elementary Schools Improvement District
Election of 2008, General Obligation Bonds, Series B
Table of Accreted Values - Delivery Date: 2/23/2011

	<u>2038 Serial</u>	<u>2039 Serial</u>	<u>2040 Serial</u>	<u>2041 Serial</u>
Final Maturity	8/1/2038	8/1/2039	8/1/2040	8/1/2041
Maturity Value	7,600,000	8,000,000	8,000,000	2,400,000
Accretion Rate	7.680%	7.690%	7.700%	7.710%
Date	Per 5,000	Per 5,000	Per 5,000	Per 5,000
2/23/2011	632.25	584.75	540.70	499.90
8/1/2011	653.51	604.44	558.93	516.78
2/1/2012	678.61	627.68	580.45	536.70
8/1/2012	704.67	651.82	602.80	557.39
2/1/2013	731.73	676.88	626.01	578.88
8/1/2013	759.83	702.91	650.11	601.19
2/1/2014	789.00	729.93	675.14	624.37
8/1/2014	819.30	758.00	701.13	648.44
2/1/2015	850.76	787.15	728.13	673.44
8/1/2015	883.44	817.41	756.16	699.40
2/1/2016	917.36	848.84	785.28	726.36
8/1/2016	952.59	881.48	815.51	754.36
2/1/2017	989.17	915.38	846.91	783.45
8/1/2017	1,027.15	950.57	879.52	813.65
2/1/2018	1,066.60	987.12	913.38	845.01
8/1/2018	1,107.56	1,025.08	948.54	877.59
2/1/2019	1,150.09	1,064.50	985.06	911.42
8/1/2019	1,194.25	1,105.43	1,022.99	946.56
2/1/2020	1,240.11	1,147.93	1,062.38	983.05
8/1/2020	1,287.73	1,192.07	1,103.28	1,020.95
2/1/2021	1,337.18	1,237.91	1,145.76	1,060.31
8/1/2021	1,388.53	1,285.50	1,189.87	1,101.18
2/1/2022	1,441.85	1,334.93	1,235.68	1,143.63
8/1/2022	1,497.22	1,386.26	1,283.26	1,187.72
2/1/2023	1,554.72	1,439.57	1,332.67	1,233.51
8/1/2023	1,614.42	1,494.92	1,383.98	1,281.06
2/1/2024	1,676.42	1,552.40	1,437.26	1,330.45
8/1/2024	1,740.79	1,612.09	1,492.60	1,381.74
2/1/2025	1,807.64	1,674.08	1,550.06	1,435.00
8/1/2025	1,877.06	1,738.45	1,609.74	1,490.32
2/1/2026	1,949.14	1,805.29	1,671.72	1,547.78
8/1/2026	2,023.98	1,874.71	1,736.09	1,607.45
2/1/2027	2,101.71	1,946.79	1,802.93	1,669.42
8/1/2027	2,182.42	2,021.65	1,872.34	1,733.77
2/1/2028	2,266.22	2,099.38	1,944.43	1,800.61
8/1/2028	2,353.25	2,180.11	2,019.29	1,870.03
2/1/2029	2,443.62	2,263.93	2,097.04	1,942.12
8/1/2029	2,537.45	2,350.98	2,177.78	2,016.99
2/1/2030	2,634.89	2,441.38	2,261.63	2,094.74
8/1/2030	2,736.08	2,535.26	2,348.70	2,175.50
2/1/2031	2,841.14	2,632.74	2,439.13	2,259.37
8/1/2031	2,950.25	2,733.97	2,533.04	2,346.47
2/1/2032	3,063.54	2,839.09	2,630.57	2,436.92
8/1/2032	3,181.18	2,948.26	2,731.85	2,530.87
2/1/2033	3,303.34	3,061.62	2,837.03	2,628.44
8/1/2033	3,430.20	3,179.35	2,946.26	2,729.77
2/1/2034	3,561.92	3,301.60	3,059.69	2,835.00
8/1/2034	3,698.70	3,428.55	3,177.49	2,944.29
2/1/2035	3,840.73	3,560.38	3,299.83	3,057.80
8/1/2035	3,988.22	3,697.28	3,426.88	3,175.68
2/1/2036	4,141.37	3,839.44	3,558.82	3,298.10
8/1/2036	4,300.41	3,987.07	3,695.84	3,425.25
2/1/2037	4,465.55	4,140.38	3,838.14	3,557.30
8/1/2037	4,637.03	4,299.58	3,985.91	3,694.43
2/1/2038	4,815.10	4,464.90	4,139.37	3,836.86
8/1/2038	5,000.00	4,636.58	4,298.74	3,984.77
2/1/2039		4,814.86	4,464.25	4,138.39
8/1/2039		5,000.00	4,636.13	4,297.93
2/1/2040			4,814.63	4,463.61
8/1/2040			5,000.00	4,635.69
2/1/2041				4,814.40
8/1/2041				5,000.00

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

George K. Baum & Company