NEW ISSUE -- FULL BOOK-ENTRY

INSURED RATING: Standard & Poor's: "AA"
UNDERLYING RATING: Standard & Poor's: "A+"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$43,300,000
ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2018 Refunding General Obligation Bonds

***Dated:* Date of Delivery** ***Due:* August 1, as shown on inside cover**

Issuance. The Alvord Unified School District 2018 Refunding General Obligation Bonds (the "Refunding Bonds"), in the aggregate principal amount of $43,300,000, are being issued by the Alvord Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on March 15, 2018 (the "Bond Resolution"). The Refunding Bonds are being issued to refund certain outstanding maturities of the District's General Obligation Bonds, 2007 Election, Series A and to pay costs of issuance. See "THE REFUNDING BONDS – Authority for Issuance" and "THE REFINANCING PLAN."

Security. The Refunding Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of Riverside County (the "County") has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Refunding Bonds. The District has other series of general obligation bonds outstanding that are similarly secured by *ad valorem* tax levies. See "SECURITY FOR THE REFUNDING BONDS."

Redemption. The Refunding Bonds are subject to optional redemption prior to maturity under certain circumstances, as described herein. See "THE REFUNDING BONDS – Optional Redemption."

Book-Entry Only. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. See "THE REFUNDING BONDS - Book-Entry-Only System."

Payments. The Refunding Bonds are current interest bonds which accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2018. Payments of principal of and interest on the Refunding Bonds will be paid by U.S. Bank National Association, St. Paul, Minnesota, as the designated paying agent, registrar and transfer agent for the Refunding Bonds (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS."

Bond Insurance. The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Refunding Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE."

ASSURED GUARANTY MUNICIPAL

MATURITY SCHEDULE
(see inside front cover)

This cover page contains information for general reference only. It is not a summary of all the provisions of the Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Refunding Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Nossaman LLP, San Francisco, California is serving as Underwriter's Counsel. It is anticipated that the Refunding Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May 24, 2018.

STIFEL

The date of this Official Statement is May 10, 2018.

MATURITY SCHEDULE

ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2018 Refunding General Obligation Bonds

Base CUSIP†: 022555

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† No.
2018	$815,000	3.000%	1.600%	VW3
2019	1,495,000	4.000	1.680	VX1
2020	1,660,000	5.000	1.800	VY9
2021	1,855,000	5.000	1.860	VZ6
2022	2,060,000	5.000	1.920	WA0
2023	2,280,000	5.000	1.990	WB8
2024	2,515,000	5.000	2.100	WC6
2025	2,765,000	5.000	2.190	WD4
2026	3,030,000	5.000	2.280	WE2
2027	3,315,000	5.000	2.380	WF9
2028	3,620,000	5.000	2.480	WG7
2029	3,940,000	5.000	2.580[C]	WH5
2030	4,280,000	5.000	2.630[C]	WJ1
2031	4,640,000	5.000	2.690[C]	WK8
2032[(1)]	2,100,000	3.500	3.090[C]	WM4
2032[(1)]	2,930,000	5.000	2.740[C]	WL6

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.
C: Yield to first par call date on August 1, 2028.
(1): Bifurcated maturity.

ALVORD UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

BOARD OF EDUCATION

Julie A. Moreno, *President*
Robert Schwandt, *Vice-President*
Carolyn M. Wilson, *Clerk*
Joseph J. Barragan, *Member**
Art Kaspereen, Jr., *Member*

DISTRICT ADMINISTRATION

Rich Thome and Marc Ecker, *Interim Superintendents***
Susana Lopez, *Assistant Superintendent, Business Services*
Kevin Emenaker, *Executive Director, Administrative Services*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Dale Scott & Company, Inc.
San Francisco, California

PAYING AGENT, TRANSFER AGENT, ESCROW AGENT AND BOND REGISTRAR

U.S. Bank National Association,
Los Angeles, California

ESCROW VERIFICATION

Causey Demgen & Moore P.C.
Denver, Colorado

---

* *Board Member Barragan is the subject of a recall election to be held on June 5, 2018.*

** *Effective June 15, 2018, Allan Mucerino, Ed.D., will serve as the Superintendent of the District. Rich Thome and Marc Ecker are serving as Interim Superintendents until Dr. Mucerino commences his position as Superintendent.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Rule 15c2-12. For purposes of compliance with Rule 15c2-12(b)(5) of the United States Securities Exchange Commission Rule, as amended (the "Rule"), this Preliminary Official Statement constitutes an "Official Statement" of the District with respect to the Refunding Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted to be omitted by the Rule.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Refunding Bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, 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.

Bond Insurance. Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding 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 presented under the heading "BOND INSURANCE" and in Appendix G.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

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

No Securities Laws Registration. The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Refunding Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Stabilization of Market Price. In connection with the offering of the Refunding Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

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

TABLE OF CONTENTS

-Page Intentionally Left Blank-

OFFICIAL STATEMENT

$43,300,000
ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2018 Refunding General Obligation Bonds

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery by the Alvord Unified School District (the "**District**") of the Alvord Unified School District (Riverside County, California) 2018 Refunding General Obligation Bonds, in the principal amount of $43,300,000 (the "**Refunding Bonds**").

INTRODUCTION

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 Refunding Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District was formally established in 1960 as a unified successor district, tracing its original formation history to 1896. The District currently encompasses an area of approximately 26 square miles in Riverside County, and includes territory located both within and around the cities of Riverside and Corona. The District provides public education services for grades K-12, and continuing education and adult education programs. The District currently operates 14 elementary schools, four middle schools, three high schools and a continuation high school and an alternative continuation high school. Enrollment in the District in fiscal year 2017-18 is over 19,000 students. The District's total assessed value in fiscal year 2017-18 is $8,227,598,642.

For more information regarding the District and its finances generally, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other information regarding the County of Riverside.

Purpose. The Refunding Bonds are being issued by the District to refinance certain outstanding maturities of the District's 2007 Election, General Obligation Bonds, Series A (the "**2007A Bonds**"), and to pay costs of issuance. See "THE REFINANCING PLAN."

Authority for Issuance of the Refunding Bonds. The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and under a resolution adopted by the Board of Education of the District on March 15, 2018 (the "**Bond Resolution**"). See "THE REFUNDING BONDS - Authority for Issuance."

Security and Sources of Payment for the Refunding Bonds. The Refunding Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Refunding Bonds upon all property subject to taxation by the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE REFUNDING BONDS."

The District currently has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For the remaining debt service of the District's outstanding general obligation bonds, see "DEBT SERVICE SCHEDULES." See also "APPENDIX A – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT-DISTRICT FINANCIAL INFORMATION - Long-Term Indebtedness."

Payment and Registration of the Refunding Bonds. The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "THE REFUNDING BONDS" and "APPENDIX F –DTC and the Book-Entry System."

Interest on the Refunding Bonds accrues from the Dated Date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2018. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

Redemption. The Refunding Bonds are subject to redemption prior to their maturity as described in "THE REFUNDING BONDS – Optional Redemption."

Legal Matters. Issuance of the Refunding Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (**"Bond Counsel"**), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the District (**"Disclosure Counsel"**). Nossaman LLP, San Francisco, California is serving as counsel to the Underwriter (**"Underwriter's Counsel"**). *Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the Refunding Bonds.*

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. Also, in the opinion of Bond Counsel, interest on the Refunding Bonds will be exempt from State of California personal income taxes. See "TAX MATTERS."

Bond Insurance. The scheduled payment of principal of and interest on the Refunding Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Refunding Bonds by Assured Guaranty Municipal Corp ("**AGM**"). See "BOND INSURANCE" and APPENDIX G.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Refunding Bonds and executed by the District (the **"Continuing Disclosure Certificate"**). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE."

Changes Since Preliminary Official Statement. In addition to pricing-related information, this Official Statement contains additional changes from the Preliminary Official Statement dated May 3, 2018, relating to the addition of disclosure on the Governor's May Revision to the 2018-19 Proposed State Budget. See "APPENDIX A - GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS – Recent State Budgets - 2018-19 Proposed State Budget – May Revision."

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 Refunding Bonds are available from the Superintendent of the District, Alvord Unified School District, 9 KPC Parkway, Corona, California; telephone (951) 509-5000. The 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 Refunding Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein 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 District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

END OF INTRODUCTION

THE REFINANCING PLAN

As described herein, the proceeds of the Refunding Bonds will be used to refund certain maturities of the 2007A Bonds, and to pay related costs of issuance.

The Refunded Bonds

The 2007A Bonds were authorized at an election of the registered voters of the District held on November 6, 2007, which authorized the issuance of $196,000,000 principal amount of general obligation bonds (the "**2007 Authorization**") for the purpose of financing voter-approved improvements to District buildings and other facilities. The 2007A Bonds were issued as current interest bonds in the aggregate principal amount of $60,000,000. The 2007A Bonds maturing on or after August 1, 2019, are subject to optional redemption on or after August 1, 2018, at a price of 100% of the principal amount being redeemed, plus any accrued interest, without premium.

The Refunding Bonds are being issued by the District to refund certain maturities of the 2007A Bonds, as more particularly identified in the following table (the "**Refunded Bonds**").

ALVORD UNIFIED SCHOOL DISTRICT
Identification of Refunded Bonds

Maturities Payable from Escrow (August 1)	CUSIP†	Principal Amount	Redemption Date	Redemption Price
2019	022555SZ0	$1,740,000	8/1/18	100%
2020	022555TA4	1,940,000	8/1/18	100
2021	022555TB2	2,155,000	8/1/18	100
2022	022555TC0	2,395,000	8/1/18	100
2023	022555TD8	2,635,000	8/1/18	100
2024	022555TE6	2,905,000	8/1/18	100
2025	022555TF3	3,195,000	8/1/18	100
2026	022555TG1	3,505,000	8/1/18	100
2027	022555TH9	3,835,000	8/1/18	100
2028	022555TJ5	4,185,000	8/1/18	100
2032	022555TK2	20,695,000	8/1/18	100
Total	--	$49,185,000	--	--

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

Deposits in Escrow Fund

The District will deliver the net proceeds of the Refunding Bonds to U.S. Bank National Association, Los Angeles, California, as escrow bank (the "**Escrow Agent**"), for deposit in an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), between the District and the Escrow Agent. The Escrow Agent will invest such funds in certain federal securities ("**Escrow Fund Securities**") or hold funds in cash, and will apply such funds, together with interest earnings (if any) on the investment of such funds in Escrow Fund Securities, to pay the principal of and interest on the Refunded Bonds, including the redemption price of the Refunded Bonds, as set forth above, together with accrued interest to the redemption date identified above.

Sufficiency of the deposits in the Escrow Fund for the foregoing purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Agent on the date of issuance of the Refunding Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the District.

The Escrow Fund Securities and cash held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Bonds, and will not be available for the payment of debt service with respect to the Refunding Bonds.

[Remainder of page intentionally left blank.]

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds will be issued under the Bond Law and the Bond Resolution.

Description of the Refunding Bonds

The Refunding Bonds are being issued as bonds which bear current interest. The Refunding Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds. See "- Book-Entry Only System" below and "APPENDIX F – DTC and the Book-Entry System."

The Refunding Bonds will be issued in denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Refunding Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2018 (each, an **"Interest Payment Date"**). Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2018, in which event it will bear interest from the Closing Date identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Refunding Bond is in default at the time of authentication thereof, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Refunding Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds.

Paying Agent

U.S. Bank National Association, Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Refunding Bonds (the **"Paying Agent"**). As long as DTC is the registered owner of the Refunding Bonds and DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Refunding Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption

The Refunding Bonds maturing on or before August 1, 2028 are not subject to optional redemption prior to maturity. The Refunding Bonds maturing on or after August 1, 2029 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2028, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, Refunding Bonds will be deemed to consist of $5,000 portions (principal amount), and any such portion may be separately redeemed.

Partial Redemption of Refunding Bonds

Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the owner thereof a new Refunding Bond or Refunding Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Refunding Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Selection of Refunding Bonds for Redemption

Whenever less than all of the outstanding maturities of the Refunding Bonds is designated for redemption, the Paying Agent shall select the maturities to be redeemed as directed by the District. Whenever less than all of the outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Refunding Bond will be deemed to consist of individual bonds of $5,000 denominations each which may be separately redeemed.

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Refunding Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Refunding Bonds (the "**Registration Books**"). Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Refunding Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Refunding Bond Owners.

Such notice may be conditional and shall state the redemption date and the redemption price and, if less than all of the then outstanding Refunding Bonds are to be called for redemption, shall designate the serial numbers of the Refunding Bonds to be redeemed by giving the individual number of each Refunding Bond or by stating that all Refunding Bonds between two stated numbers, both inclusive, or by stating that all of the Refunding Bonds of one or more maturities have been called for redemption, and shall require that such Refunding Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

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

Right to Rescind Notice of Redemption

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

Defeasance

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

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

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

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

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

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

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

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

As used in the foregoing defeasance provision, the term **"Federal Securities"** means United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States.

Book-Entry Only System

The Refunding Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York (**"DTC"**), which has been appointed as securities depository for the Refunding Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Refunding Bonds. Principal of the Refunding Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Refunding Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Refunding Bonds.

If the book entry system is discontinued, the person in whose name a Refunding Bond is registered on the Registration Books shall be regarded as the absolute owner of that Refunding Bond. Payment of the principal of and interest on any Refunding Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Refunding Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Los Angeles, California, for a like aggregate principal amount of Refunding Bonds of authorized denominations and of the same maturity. Any Refunding Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Refunding Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Refunding Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Refunding Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Refunding Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Refunding Bond after such Refunding Bond has been selected or called for redemption in whole or in part.

DEBT SERVICE SCHEDULES

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

ALVORD UNIFIED SCHOOL DISTRICT
Annual Debt Service Schedule
2018 Refunding General Obligation Bonds

Period Ending August 1	Principal	Interest	Total
2018	$815,000.00	$391,252.08	$1,206,252.08
2019	1,495,000.00	2,077,800.00	3,572,800.00
2020	1,660,000.00	2,018,000.00	3,678,000.00
2021	1,855,000.00	1,935,000.00	3,790,000.00
2022	2,060,000.00	1,842,250.00	3,902,250.00
2023	2,280,000.00	1,739,250.00	4,019,250.00
2024	2,515,000.00	1,625,250.00	4,140,250.00
2025	2,765,000.00	1,499,500.00	4,264,500.00
2026	3,030,000.00	1,361,250.00	4,391,250.00
2027	3,315,000.00	1,209,750.00	4,524,750.00
2028	3,620,000.00	1,044,000.00	4,664,000.00
2029	3,940,000.00	863,000.00	4,803,000.00
2030	4,280,000.00	666,000.00	4,946,000.00
2031	4,640,000.00	452,000.00	5,092,000.00
2032	5,030,000.00	220,000.00	5,250,000.00
Total	$43,300,000.00	$18,944,302.08	$62,244,302.08

Combined Debt Service Schedules. The following table shows the combined annual debt service schedule with respect to outstanding general obligation bonds, and the Refunding Bonds, assuming no optional redemptions. See also Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Indebtedness - General Obligation Bonds" for additional information.

ALVORD UNIFIED SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Bonds

Period Ending (Aug.1)	2002 Refunding Bonds	2007 Authorization Series A Bonds	2007 Authorization Series B Bonds	2012 Series A Bonds	2018 Refunding Bonds	Total Outstanding Bonds
2018	$3,829,512.50	$2,830,920.00	$820,150.00	$4,090,912.50	$1,206,252.08	$12,777,747.08
2019	3,823,842.50	--	1,254,275.00	4,273,412.50	3,572,800.00	12,924,330.00
2020	3,830,502.50	--	1,858,175.00	4,415,912.50	3,678,000.00	13,782,590.00
2021	3,824,050.00	--	2,438,850.00	4,509,912.50	3,790,000.00	14,562,812.50
2022	3,814,485.00	--	2,975,000.00	4,717,412.50	3,902,250.00	15,409,147.50
2023	3,812,102.50	--	3,425,000.00	4,817,412.50	4,019,250.00	16,073,765.00
2024	3,818,215.00	--	3,760,000.00	4,967,412.50	4,140,250.00	16,685,877.50
2025	3,810,625.00	--	3,955,000.00	5,117,412.50	4,264,500.00	17,147,537.50
2026	3,807,267.50	--	4,325,000.00	5,267,412.50	4,391,250.00	17,790,930.00
2027	3,802,700.00	--	4,910,975.00	5,417,412.50	4,524,750.00	18,655,837.50
2028	1,523,430.00	--	5,745,975.00	5,617,412.50	4,664,000.00	17,550,817.50
2029	1,530,830.00	--	6,890,975.00	5,912,412.50	4,803,000.00	19,137,217.50
2030	594,912.50	--	7,615,975.00	6,186,412.50	4,946,000.00	19,343,300.00
2031	--	--	8,975,975.00	6,254,412.50	5,092,000.00	20,322,387.50
2032	--	--	10,210,975.00	6,441,125.00	5,250,000.00	21,902,100.00
2033	--	--	16,552,848.90	6,604,725.00	--	23,157,573.90
2034	--	--	17,546,836.40	6,760,475.00	--	24,307,311.40
2035	--	--	18,254,829.60	6,887,850.00	--	25,142,679.60
2036	--	--	19,340,975.00	7,092,375.00	--	26,433,350.00
2037	--	--	20,895,616.00	7,339,062.50	--	28,234,678.50
2038	--	--	22,988,710.65	7,539,500.00	--	30,528,210.65
2039	--	--	25,749,858.05	7,774,250.00	--	33,524,108.05
2040	--	--	28,326,166.20	8,032,750.00	--	36,358,916.20
2041	--	--	20,365,975.00	8,292,500.00	--	28,658,475.00
2042	--	--	21,582,673.65	8,547,000.00	--	30,129,673.65
2043	--	--	22,450,975.00	--	--	22,450,975.00
2044	--	--	23,125,975.00	--	--	23,125,975.00
2045	--	--	23,815,345.00	--	--	23,815,345.00
2046	--	--	24,298,672.50	--	--	24,298,672.50
Totals	$41,822,475.00	$2,830,920.00	$374,457,756.95	$152,876,887.50	$62,244,302.08	$634,232,341.53

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Refunding Bonds are as follows:

Sources of Funds	
Principal Amount of Refunding Bonds	$43,300,000.00
Original Issue Premium	7,361,169.65
Total Sources	$50,661,169.65
Uses of Funds	
Escrow Fund	$50,222,774.97
Costs of Issuance[1]	438,394.68
Total Uses	$50,661,169.65

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, bond insurance, and fees of Bond Counsel, Disclosure Counsel, the financial advisor, the Paying Agent, Escrow Agent, and the rating agency.

SECURITY FOR THE REFUNDING BONDS

Ad Valorem Taxes

Refunding Bonds Payable from* Ad Valorem *Property Taxes. The Refunding Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Refunding Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Bonds Payable from* Ad Valorem *Property Taxes. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Direct and Overlapping Debt" below.

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

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

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter-approved general obligation bonds which are secured by *ad valorem* tax collections, including the Refunding Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

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

Debt Service Fund

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

If, after payment in full of the Refunding Bonds, any amounts remain on deposit in a Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, Senate Bill 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

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

Taxation of State-Assessed Utility Property

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

Assessed Valuations

Assessed Valuation History. The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

The following table sets forth a recent history of the assessed value in the District.

ALVORD UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2004-05 through 2017-18

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2004-05	$4,337,079,402	$1,027,374	$159,581,509	$4,497,688,285	--
2005-06	4,957,889,187	1,044,022	201,826,936	5,160,760,145	14.7%
2006-07	5,758,106,781	993,568	191,655,254	5,950,755,603	15.3
2007-08	6,730,106,629	153,200	212,126,746	6,942,386,575	16.6
2008-09	6,813,474,664	153,200	203,830,900	7,017,458,764	1.1
2009-10	6,030,484,672	153,200	208,053,610	6,238,691,482	(11.1)
2010-11	5,886,207,083	153,200	191,475,927	6,077,836,210	(2.6)
2011-12	5,941,724,588	153,200	225,243,168	6,167,120,956	1.5
2012-13	5,953,990,549	29,200	206,384,486	6,160,404,235	(0.1)
2013-14	6,169,367,171	29,200	202,252,626	6,371,648,997	3.4
2014-15	6,697,214,705	29,200	222,397,606	6,919,641,544	8.6
2015-16	7,057,440,762	29,200	241,437,023	7,308,906,985	5.6
2016-17	7,555,206,645	29,200	243,745,612	7,798,981,457	6.7
2017-18	7,971,280,668	29,200	256,288,774	8,227,598,642	5.5

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, with the exception of Fresno, Kings, Tulare and Tuolumne counties, where emergency drinking water projects are currently in place to address diminished groundwater supplies.

In addition, wildfires have occurred in recent years in different regions of the State, and recently Governor Jerry Brown, on October 12, 2017 and on December 4 and 7, 2017, declared states of emergency in Napa, Sonoma and Yuba counties, Los Angeles and Ventura Counties, and San Diego and Santa Barbara Counties. Related flooding and mudslides have also occurred. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

Parcels by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2017-18.

ALVORD UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2017-18

Non-Residential:	**2017-18 Assessed Valuation[1]**	**% of Total**	**No. of Parcels**	**% of Total**	**No. of Taxable Parcels**	**% of Total**
Agricultural/Rural/Undeveloped	$54,667,511	0.69%	741	3.02%	655	2.71%
Commercial/Industrial	1,497,150,218	18.78	891	3.64	829	3.42
Vacant Commercial/Industrial	45,839,127	0.58	162	0.66	111	0.46
Subtotal Non-Residential	$1,597,656,856	20.04%	1,794	7.32%	1,595	6.59%
Residential:						
Single-Family Residence	$5,092,671,067	63.89%	19,865	81.08%	19,826	81.89%
Condominium/Townhouse	263,843,158	3.31	1,135	4.63	1,134	4.68
Mobile Home	3,072,282	0.04	18	0.07	18	0.07
2-4 Residential Units	101,549,024	1.27	437	1.78	435	1.80
5+ Residential Units/Apartments	884,843,846	11.10	377	1.54	370	1.53
Miscellaneous Residential	306,064	0.00	1	0.00	1	0.00
Vacant Residential	27,338,371	0.34	874	3.57	831	3.43
Subtotal Residential	$6,373,623,812	79.96%	22,707	92.68%	22,615	93.41%
Total	$7,971,280,668	100.00%	24,501	100.00%	24,210	100.00%

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

Per Parcel Assessed Valuation of Single-Family Homes. The table below shows the per parcel assessed valuation of single-family homes in the District for fiscal year 2017-18, including the median and average assessed value per parcel.

ALVORD UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2017-18

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	19,826	$5,092,671,067	$256,868	$235,888

2017-18 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	22	0.111%	0.111%	$429,814	0.008%	0.008%
$25,000 - $49,999	327	1.649	1.760	13,385,939	0.263	0.271
$50,000 - $74,999	700	3.531	5.291	43,330,593	0.851	1.122
$75,000 - $99,999	494	2.492	7.783	43,604,625	0.856	1.978
$100,000 - $124,999	934	4.711	12.494	106,233,453	2.086	4.064
$125,000 - $149,999	1,398	7.051	19.545	193,665,592	3.803	7.867
$150,000 - $174,999	1,763	8.892	28.437	287,380,559	5.643	13.510
$175,000 - $199,999	1,889	9.528	37.965	353,746,819	6.946	20.456
$200,000 - $224,999	1,717	8.660	46.626	364,081,759	7.149	27.606
$225,000 - $249,999	1,511	7.621	54.247	358,761,160	7.045	34.650
$250,000 - $274,999	1,381	6.966	61.213	361,945,337	7.107	41.757
$275,000 - $299,999	1,289	6.502	67.714	369,590,114	7.257	49.015
$300,000 - $324,999	1,220	6.154	73.868	380,449,261	7.471	56.485
$325,000 - $349,999	1,047	5.281	79.149	352,610,524	6.924	63.409
$350,000 - $374,999	895	4.514	83.663	323,751,742	6.357	69.766
$375,000 - $399,999	702	3.541	87.204	271,495,482	5.331	75.097
$400,000 - $424,999	534	2.693	89.897	219,869,358	4.317	79.415
$425,000 - $449,999	368	1.856	91.753	160,709,828	3.156	82.570
$450,000 - $474,999	321	1.619	93.372	148,034,641	2.907	85.477
$475,000 - $499,999	287	1.448	94.820	139,811,247	2.745	88.223
$500,000 and greater	1,027	5.180	100.000	599,783,220	11.777	100.000
Total	19,826	100.000%		$5,092,671,067	100.000%	

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

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

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

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

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

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

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Refunding Bonds to increase accordingly, so that the fixed debt service on the Refunding Bonds (and other outstanding general obligation bonds, if any) may be paid.

Typical Tax Rates

Below are historical typical tax rates in the tax rate area within the District for the years 2013-14 through 2017-18.

ALVORD UNIFIED SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
Tax Rate Area 9-176
Fiscal Years 2013-14 through 2017-18

	2013-14	2014-15	2015-16	2016-17	2017-18
Riverside County – TRA 9-176(1)					
General Tax Rate	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
City of Riverside	.00673	.00626	.00576	.00617	.00608
Alvord Unified School District	.17571	.17234	.15335	.15303	.15000
Riverside City Community College District	.01768	.01791	.01725	.01649	.01616
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total Tax Rate	$1.20362	$1.20001	$1.17986	$1.17919	$1.17574

(1) TRA 9-176 comprises 26.79% of the 2017-18 total assessed valuation of taxable property in the District.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

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

ALVORD UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2007-08 through 2016-17

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent June 30	% Delinquent June 30
2007-08	$ 3,494,665.85	$ 383,874.69	10.98%
2008-09	7,145,979.18	519,866.29	7.27
2009-10	7,446,252.39	305,593.86	4.10
2010-11	6,901,778.45	217,928.46	3.16
2011-12	6,873,696.03	138,970.30	2.02
2012-13	6,926,920.87	41,770.84	0.60
2013-14	10,675,236.14	94,771.09	0.89
2014-15	11,365,654.86	119,244.62	1.05
2015-16	10,702,162.39	98,171.01	0.92
2016-17	11,446,397.56	130,006.56	1.14

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

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

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

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

Largest Property Owners

The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2017-18 tax roll, and the assessed valuations thereof, are shown below.

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

ALVORD UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2017-18

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total(1)
1.	Rohr Inc.	Industrial	$148,268,489	1.86%
2.	La Sierra University	Apartments	129,696,980	1.63
3.	Advanced Group 13 107	Apartments	102,162,548	1.28
4.	SCG Atlas Deerwood	Apartments	76,851,997	0.96
5.	SCG Atlas Marquesa	Apartments	72,876,667	0.91
6.	Avalon Riverside 264	Apartments	43,492,962	0.55
7.	IPT Corona IC	Commercial	38,181,229	0.48
8.	HBC Corona Summit	Commercial	36,555,861	0.46
9.	Corona Hills Marketplace	Commercial	36,216,771	0.45
10.	Wal Mart Real Estate Business Trust	Commercial	34,995,270	0.44
11.	SDCO Hills of Corona Inc.	Apartments	34,442,631	0.43
12.	CRP Cambria Riverwalk	Apartments	32,568,204	0.41
13.	Grae La Sierra	Commercial	28,231,729	0.35
14.	Sunstone Place	Apartments	27,448,315	0.34
15.	Paseos at Magnolia	Apartments	26,985,345	0.34
16.	Waterstone Magolia Fee Owner	Apartments	26,014,053	0.33
17.	Country Side Center Corona	Commercial	24,449,946	0.31
18.	Davenport Riverwalk Partners	Commercial	24,205,779	0.30
19.	Mas Realty	Commercial	23,403,540	0.29
20.	Peppertree Place Apartments	Apartments	18,582,788	0.23
			$985,631,104	12.36%

(1) 2017-18 local secured assessed valuation: $7,971,280,668.
Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. with respect to debt dated as of April 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

ALVORD UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of April 1, 2018

2017-18 Assessed Valuation: $8,227,598,642

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 4/1/18**
Metropolitan Water District	0.299%	$ 181,194
Riverside City Community College District	8.329	21,352,669
Alvord Unified School District	**100.000**	**214,173,867**(1)
City of Riverside	20.504	2,107,811
City of Corona Community Facilities District No. 2004-1	100.000	2,820,000
City of Riverside Community Facilities Districts	100.000	6,675,000
Alvord Unified School District Community Facilities District No. 2001-1 &2002-1	100.000	2,581,000
Alvord Unified School District Community Facilities District No. 2006-1	100.000	7,110,000
Riverside County Community Facilities District No. 04-2	100.000	16,675,000
City of Riverside Riverwalk Assessment District	100.000	5,185,000
City of Riverside Riverwalk Business Assessment District	100.000	2,425,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$281,286,541
OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	3.120%	$ 26,309,463
Riverside County Pension Obligations	3.120	8,310,588
City of Corona General Fund Obligations	5.665	2,255,058
City of Riverside General Fund Obligations	20.504	43,643,541
City of Riverside Pension Obligations	20.504	19,055,392
Western Municipal Water District General Fund Obligations	9.652	984,235
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$100,558,277
Less: Riverside County supported obligations		(128,358)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$100,429,919
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$38,465,089
GROSS COMBINED TOTAL DEBT		$420,309,907(2)
NET COMBINED TOTAL DEBT		$420,181,549

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($214,173,867) 2.60%
Total Direct and Overlapping Tax and Assessment Debt............. 3.42%
Gross Combined Total Debt.. 5.11%
Net Combined Total Debt... 5.11%

Ratio to Redevelopment Incremental Valuation ($2,541,651,075):
Total Overlapping Tax Increment Debt.................................. 1.51%

(1) Excludes Refunding Bonds to be sold.
(2) Excludes special tax refunding bonds to be sold for CFD No. 2006-1.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Refunding Bonds, Assured Guaranty Municipal Corp. (**"AGM"**) will issue its Municipal Bond Insurance Policy for the Refunding Bonds (the **"Policy"**). The Policy guarantees the scheduled payment of principal of and interest on the Refunding Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and 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. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (**"S&P"**), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. (**"KBRA"**) and "A2" (stable outlook) by Moody's Investors Service, Inc. (**"Moody's"**). 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. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity 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 May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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, 2017.

Capitalization of AGM

At March 31, 2018:

- The policyholders' surplus of AGM was approximately $2,247 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("**MAC**") (as described below) were approximately $1,133 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,646 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "**AGM European Subsidiaries**") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (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, 2017 (filed by AGL with the SEC on February 23, 2018); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Refunding 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.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

AGM makes no representation regarding the Refunding Bonds or the advisability of investing in the Refunding 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 "BOND INSURANCE".

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the **"Tax Code"**) relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Refunding Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Refunding Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Refunding Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Refunding Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

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

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

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Refunding Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Refunding Bonds, or as to the consequences of owning or receiving interest on the Refunding Bonds, as of any future date. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

[Remainder of Page Intentionally Left Blank]

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay upon prior redemption, interest and redemption premium requirements of the Refunded Bonds described under the heading "THE REFINANCING PLAN" and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District by not later than 9 months following the end of the District's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the District's fiscal year), commencing March 31, 2019, with the report for the 2017-18 Fiscal Year (the **"Annual Report"**), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the **"MSRB"**). The specific nature of the information to be contained in an Annual Report or other notices is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has made prior undertakings under the Rule in connection with long-term obligations issued by the District. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Indebtedness - General Obligation Bonds." In addition, Community Facilities District No. 2001-1 of the Alvord Unified School District, Community Facilities District No. 2002-1 of the Alvord Unified School District, and Community Facilities District No. 2006-1 of the Alvord Unified School District (the **"CFDs"**) have made undertakings pursuant to the Rule in connection with issuance of special tax bonds, compliance with which has been undertaken by District staff on behalf of the CFDs. A review of said prior undertakings and all filings made by the District, for itself and on behalf of the CFDs, in the previous five years has been undertaken and has found instances of non-compliance with the undertakings and the Rule, including (a) annual reports for certain years were filed in a timely fashion but did not include reference to all affected CUSIP numbers, and (b) filings to reflect rating upgrades were either not made or were filed late.

In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Refunding Bonds, the District expects to engage Dale Scott & Company, Inc. to serve as its dissemination agent for each of its undertakings pursuant to the Rule, including the Refunding Bonds. With respect to the continuing disclosure obligations of the CFDs, the District has engaged Cooperative Strategies, LLC to serve as dissemination agent for the performance of its obligations with respect to bonds of the CFDs.

Neither the County nor any other entity other than the District has any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

CERTAIN LEGAL MATTERS

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

The District may be or may become a party to lawsuits and claims which are unrelated to the Refunding Bonds or actions taken with respect to the Refunding Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse affect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") is expected to assign its ratings of "AA" to the Refunding Bonds, based on the understanding that AGM will deliver the Policy for the Refunding Bonds at the time of delivery of the Refunding Bonds. See "BOND INSURANCE." Additionally, S&P has assigned an underlying rating of "A+" to the Refunding Bonds. Such ratings reflect only the view of S&P, and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Refunding Bonds.

UNDERWRITING

The Refunding Bonds are being sold to Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), pursuant to a bond purchase agreement for the Refunding Bonds. The Underwriter has agreed to purchase the Refunding Bonds at a price of $50,487,969.65, representing the principal amount of the Refunding Bonds, plus original issue premium of $7,361,169.65 and less Underwriter's discount of $173,200.00. The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The reference herein to the Bond Resolution, the Escrow Agreement and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Refunding Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District.

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

EXECUTION

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

ALVORD UNIFIED SCHOOL DISTRICT

By: *___/s/ Susana Lopez___*
Assistant Superintendent, Business Services

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

GENERAL DISTRICT INFORMATION

General Information

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

Enrollment in the District in fiscal year 2017-18 is 19,005 students. The District's total assessed value in fiscal year 2017-18 is $8,227,598,642.

Administration

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

GOVERNING BOARD
Alvord Unified School District

Name	Office	Term Expires
Julie A. Moreno	President	December 2018
Robert Schwandt	Vice President	December 2018
Carolyn M. Wilson	Clerk	December 2020
Joseph J. Barragan*	Member	December 2020
Art Kaspereen, Jr.	Member	December 2018

Administration. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. On April 19, 2018, the District Board unanimously approved the hiring of

** Board Member Barragan is the subject of a recall election to be held on June 5, 2018.*

Allan Mucerino, Ed.D., as the new Superintendent of the District, effective June 15, 2018. Rich Thome and Marc Ecker are serving as Interim Superintendents until Dr. Mucerino begins.

Recent Enrollment Trends

The following table shows recent enrollment history for the District with budgeted figures for fiscal year 2017-18.

ANNUAL ENROLLMENT
Fiscal Years 2012-13 through 2017-18*
Alvord Unified School District

Fiscal Year	Student Enrollment	Annual Percent Change
2012-13	19,634	--
2013-14	19,480	(0.8%)
2014-15	19,390	(0.5)
2015-16	19,466	0.4
2016-17	19,255	(1.1)
2017-18*	19,005	(1.3)

**Projected.*
Source: Alvord Unified School District.

Employee Relations

In fiscal year 2017-18, the District has 997 full-time equivalent certificated, 662 full-time equivalent classified and 98 management full-time equivalent positions. The certificated and classified employees of the District are represented by their respective bargaining units, as set forth in the following table.

BARGAINING UNITS
Alvord Unified School District

Employee Group	Representation	Contract Expiration Date
Alvord Education Association	Certificated	June 30, 2019[(1)]
California School Employees' Association	Classified	November 30, 2020

(1) The current contract has a salary re-opener. At this time, the District and the AEA are at an impasse with respect to salary negotiations and will pursue negotiations pursuant to mediation proceedings.
Source: Alvord Unified School District.

Risk Management – Insurance

Property and Liability. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Southern California Regional Liability Excess Fund risk management pool for property and liability insurance coverage. The District's member retention limit was $50,000 and $5,000, respectively, for liability and property claims.

Workers' Compensation. For fiscal year 2016-17, the District was self-funded for its workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. The District's self-insured retention limit for the 2016-17 fiscal year was $750,000. Excess liability coverage for workers' compensation claims is provided through Star Insurance Company, a commercial insurance carrier.

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

Claims Liabilities. The District records and estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2017 - Note 13."

[Remainder of Page Intentionally Left Blank]

DISTRICT FINANCIAL INFORMATION

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

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

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

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2017-18 are set forth in the following table. Most school districts and charter schools will receive less than the LCFF Target because LCFF is being phased in. Until the LCFF is fully implemented (currently expected in fiscal year 2018-19), districts will receive an entitlement known as the LCFF Transition Entitlement.

Fiscal Year 2017-18 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2016-17 Base Grant Per ADA	2017-18 COLA (1.56%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2017-18 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,083	$110	$748	$7,941
4-6	$7,189	$112	n/a	7,301
7-8	$7,403	$115	n/a	7,518
9-12	$8,578	$134	$227	8,939

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

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

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

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

District 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 fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District 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. 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 District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the 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. The District's June 30, 2017 Audited Financial Statements were prepared by Vavrinek, Trine, Day & Company, LLP, Rancho Cucamonga, California and are attached hereto as Appendix A. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services, of the District, Alvord Unified School District, 9 KPC Parkway, Corona, California; telephone (951) 509-5000. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the general fund for the District for the fiscal years 2012-13 through 2016-17.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2012-13 through 2016-17 (Audited)
Alvord Unified School District

Revenues	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
Local Control Funding Formula(1)	$99,314,513	$126,368,579	$146,093,167	$170,532,447	$182,230,158
Federal Sources	11,464,198	11,335,263	11,183,469	11,613,389	10,850,968
Other State Sources	29,364,883	16,989,479	15,440,197	27,135,172	23,972,834
Other Local Sources	6,929,782	6,031,424	6,465,129	6,201,202	6,305,972
Total Revenues	147,073,376	160,724,745	179,181,962	215,482,210	223,359,932
Expenditures					
Instruction	96,361,892	105,395,372	117,991,559	133,755,259	139,587,429
Instruction-Related Activities:					
Supervision of Instruction	7,167,390	8,508,796	9,453,192	11,147,092	10,458,300
Instructional Library, Media and Technology	1,689,454	1,710,882	1,958,728	2,183,454	2,234,963
School Site Administration	8,064,917	8,679,487	10,018,977	11506,576	12,787,293
Pupil Services:					
Home-to-School Transportation	2,504,315	2,642,009	2,788,843	2,854,473	3,110,469
Food Services	1,759	41,505	24,890	15,149	37,366
All Other Pupil Services	7,024,630	8,360,919	10,358,029	12,381,253	13,446,984
Administration:					
Data Processing	1,794,521	2,305,078	2,606,593	3,555,053	3,104,474
All Other Administration	5,290,556	5,751,886	6,712,037	7,431,449	7,884,077
Plant Services	13,867,135	15,206,339	17,463,922	20,225,525	20,900,300
Facility Acquisition and Construction	--	273,500	7,629,55	56,023	387,880
Ancillary Services	670,165	887,751	1,096,598	1,569,993	2,205,421
Community Services	--	50	--	--	--
Other Outgo	--	2,290,834	1,613,183	1,512,119	519,343
Debt Service:					
Principal	35,807	148,420	640,335	1,257,041	1,189,016
Interest	376,810	43,642	325,584	220,923	259,920
Total Expenditures	145,089,351	162,516,470	190,682,025	209,671,391	218,113,235
Excess of Revenues Over/(Under) Expenditures	1,984,025	(1,791,725)	(11,500,063)	5,810,819	5,246,697
Other Financing Sources (Uses)					
Transfers In	--	--	342,725	--	--
Other Sources	869,838	--	7,621,555(2)	--	--
Transfers Out	(4,882,517)	(153,702)	(1,928,627)	(1,857,926)	(803,698)
Total Other Financing Sources (Uses)	(4,012,679)	(153,702)	6,035,653	(1,857,926)	(803,698)
Net Change in Fund Balance	(2,028,654)	(1,945,427)	(5,464,410)	3,952,893	4,442,999
Fund Balance, July 1	19,910,689	17,882,035	15,936,608	10,472,198	14,424,306
Prior Period Adjustment	--	--	--	(785)	--
Fund Balance, June 30	$17,882,035	$15,936,608	$10,472,198	$14,424,306	$18,867,305

(1) LCFF commenced in fiscal year 2013-14.
(2) Represents proceeds of capital lease relating to energy efficiency project.
Source: Alvord Unified School District Audit Reports for fiscal years 2012-13 through 2016-17.

District Budget and Interim Financial Reporting

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

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

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

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

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification.

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

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

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. In the past five years, each of the District's interim reports have been certified as positive. The District's budget for fiscal year 2017-18 was approved by the County Superintendent and the most recent interim report, the Second Interim report for fiscal year 2017-18, was certified positive by the Board in March 2018.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Alvord Unified School District, 9 KPC Parkway, Corona, California; telephone (951) 509-5000. The District may impose charges for copying, mailing and handling.

[Remainder of Page Intentionally Left Blank]

District's Fiscal Year Fiscal Year 2017-18 Budget and Second Interim Report. The following table shows the income and expense statements for the District for fiscal year 2017-18 (Adopted Budget and Second Interim Report).

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2017-18 (Adopted Budget and Second Interim)[1]
Alvord Unified School District

Revenues	Original Budget Fiscal Year 2017-18	Second Interim Report Fiscal Year 2017-18
LCFF Sources[2]	$185,915,012	$185,717,596
Federal Revenues	10,560,316	11,922,215
Other State Revenues	22,310,987	24,253,017
Other Local Revenues	4,099,694	4,680,002
Total Revenues	222,886,009	226,572,830
Expenditures		
Certificated Salaries	106,509,122	106,803,551
Classified Salaries	28,300,453	28,033,184
Employee Benefits	57,788,845	58,492,642
Books and Supplies	9,109,456	12,265,543
Services & Operating Exp.	20,148,096	22,631,065
Capital Outlay	--	89,409
Other Outgo (Excluding Indirect Costs)	700,000	2,097,706
Direct Support/Indirect Costs	(488,324)	(492,671)
Total Expenditures	222,067,648	229,920,429
Excess of Revenues Over/(Under) Expenditures	818,361	(3,347,599)
Other Financing Sources (Uses)		
Operating Transfers in	--	--
Operating Transfers out	--	(3,771,283)[3]
Other Sources (Uses)	(1,200,000)	--
Total Other Financing Sources (Uses)	(1,200,000)	(3,771,283)
Net Change in Fund Balance	(381,639)	(7,118,882)
Fund Balance, July 1	18,722,154	18,722,154
Fund Balance, June 30	$18,340,515	$11,603,271

(1) Columns may not sum to totals due to rounding.
(2) LCFF commenced in fiscal year 2013-14.
(3) Represents $1 million transfer to deferred maintenance fund of projects, $1.8 million of redevelopment funds transferred to the capital outlay fund, and $.8 million transferred to the workers compensation and self-insurance fund for payment of claims.
Source: Alvord Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve that meets or exceeds the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA under 400,000, the limit is two times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap. The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered and what impact it may have on the District's reserves.

Funding Trends - Basic Aid Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

Funding Trends Under LCFF. The following table sets forth total LCFF funding for the District for fiscal year 2013-14 through 2017-18 (Projected) together with annual ADA.

AVERAGE DAILY ATTENDANCE AND FUNDING
Fiscal Years 2013-14 through 2017-18
Alvord Unified School District

Fiscal Year	ADA	Total LCFF Entitlement
2013-14	18,663	$126,368,579
2014-15	18,580	146,093,167
2015-16	18,541	170,532,447
2016-17	18,305	182,230,158
2017-18*	18,020	185,717,596

* Projected.
Source: Alvord Unified School District.

Unduplicated Student Count Above 55%. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. Concentration grant funding is available for districts with unduplicated counts above 55%. The District's percentage of unduplicated students is approximately 80%, and therefore the District is eligible for both supplemental and concentration grant funding under LCFF.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

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

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools and others.

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

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

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**").

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District was required to reflect a restatement of its beginning net position as of July 1, 2014. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2017."

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS Contributions
Alvord Unified School District
Fiscal Years 2013-14 through 2017-18 (Projected)

Fiscal Year	Amount*
2013-14	$6,731,068
2014-15	8,354,960
2015-16	11,327,402
2016-17	13,109,967
2017-18†	24,687,273

*Increases in fiscal years 2015-16 and following attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
†Projected.
Source: Alvord Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $96.7 billion as of June 30, 2016 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2014-15, 2015-16, and 2016-17 were 8.88%, 10.73%, and 13.888%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2017-18 through fiscal year 2019-20 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2017-18 through 2019-20

Fiscal Year	Projected Employer Contribution Rate(1)
2017-18	15.500%
2018-19	17.100
2019-20	18.600

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent 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. The District is part of a "cost-sharing" pool within PERS. As a result of the implementation of PEPRA (defined herein), new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. "Classic" plan members continue to contribute 7.0%. 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 PERS Board of Administration. The contribution requirements of the plan members are established by State statute. The District's contributions to PERS in recent years are set forth in the following table.

PERS Contributions
Alvord Unified School District
Fiscal Years 2013-14 through 2017-18 (Projected)

Fiscal Year	Amount
2013-14	$3,412,034
2014-15	3,402,707
2015-16	2,842,602
2016-17	4,349,867
2017-18†	4,416,669

†Projected.
Source: Alvord Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $21.8 billion as of June 30, 2016 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2017-18 through 2019-20

Fiscal Year	Discount Rate
2017-18	7.375%
2018-19	7.250
2019-20	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, were implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, and 2017-18 were 11.847%, 13.888%, and 15.531% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2018-19 through fiscal year 2020-21 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Employer Contribution Rate(1)
2018-19	18.062%
2019-20	20.800
2020-21	23.800

(1) Expressed as a percentage of covered payroll.
Source: PERS

On February 13, 2018, the Board of Administration of PERS voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 11 to the District's audited financial statements attached hereto as APPENDIX A. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter*

Other Post-Employment Retirement Benefits

Plan Descriptions. The District provides medical and dental benefits to eligible retirees and their spouses. Currently 140 retirees and beneficiaries receive benefits, and 1,595 active employees are eligible for such benefits in a future period.

Funding Policy. The District's contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution ("**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 liabilities over a period not to exceed 30 years.

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**") 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:

OPEB Components for Fiscal Year 2016-17
Alvord Unified School District

Annual required contribution (ARC)	$2,226,358
Interest on net OPEB obligation	449,260
Adjustment to ARC	(715,533)
Annual OPEB cost (expense)	1,960,085
Contributions for the fiscal year	(860,026)
Increase in net OPEB obligation	1,100,059
Net OPEB obligation, beginning of year	9,983,566
Net OPEB obligation, end of year	$11,083,625

Source: Alvord Unified School District.

Schedule of OPEB Funding Progress
Alvord Unified School District

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$2,045,037	$1,110,105	54.28%	$9,292,412
June 30, 2016	1,978,519	1,287,365	65.07%	9,983,566
June 30, 2017	1,960,085	860,026	43.88%	11,083,625

Source: Alvord Unified School District.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The schedule of funding progress, presented as required supplementary information following the notes to the 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 liability or benefits.

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

OPEB Funded Status
Alvord Unified School District

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
April 1, 2016	$ --	$31,096,621	$31,096,621	0%	$132,010,309	23.56%

Source: Alvord Unified School District.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2017 - Note 12."

Long-Term Indebtedness

General Obligation Bonds. The table below summarizes the general obligation bonds and refunding general obligation bonds of the District, payable from *ad valorem* taxes, that are outstanding as of April 1, 2018, followed by a narrative description of said bond issues.

General Obligation Indebtedness
Alvord Unified School District

Series	Issue Date	Final Maturity	Interest Rate	Original Principal	Bonds Outstanding 4/1/2018 (1)
2002 Refunding General Obligation Bonds, Series A	11/02/2002	08/01/2030	2.30%-5.90%	$52,810,000	$28,805,000.00
2007 Election, General Obligation Bonds, Series A	05/01/2008	08/01/2032	3.50%-5.00%	60,000,000	50,730,000.00
2007 Election, General Obligation Bonds, Series B	06/15/2011	08/01/2046	3.00%-5.10%	56,941,560	56,610,194.60
2012 Election General Obligation Bonds, Series A	12/12/2013	08/01/2042	4.250-5.250%	78,998,672	78,028,672.50
TOTALS				$248,750,232	$214,173,867.10

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

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

2007 Election General Obligation Bonds. The District issued, pursuant to its 2007 Authorization, two series of general obligation bonds, one being designated Series A and the other as Series B. Series A will be refinanced in part with the proceeds of the Refunding Bonds described in this Official Statement. The District also issued two separate bond anticipation notes in 2009 and 2010 under the 2007 Authorization. The notes issued in 2009 were paid in full from the proceeds of long-term general obligation bonds issued under the 2007 Authorization, and the notes issued in 2010 were paid in full from the proceed of bonds issued under the 2012 Authorization.

2012 Election General Obligation Bonds. The District issued, pursuant to its 2012 Authorization, a series of general obligation bonds, the proceeds of which were used to provide for the payment of an outstanding bond anticipation note issued in 2010 and coming due on May 1, 2015, and to provide funding for additional voter-approved projects.

Capital Leases

The District entered into various equipment leases with options to purchase payable from the District's general fund. Future minimum lease payments are as follows:

Capital Leases
Alvord Unified School District

Year Ended June 30,	Lease Payment
2018	$1,403,706
2019	792,565
2020	346,393
2021	334,341
2022	329,843
2023-27	1,768,406
2028-2030	1,053,088
Total Minimum Lease Payments	$6,028,342
Less Amount Representing Interest	(810,850)
Present Value of Minimum Lease Payments	$5,217,492

Source: Alvord Unified School District.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Riverside County Treasurer manages funds deposited with it by the District. Riverside County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Funding of Education Generally" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

Recent State Budgets

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

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

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

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

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools until a later date in the fiscal year or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2017-18 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2017-18 Adopted State Budget

On June 27, 2017, the Governor signed the 2017-18 State budget (the "**2017-18 State Budget**") into law. The 2017-18 State Budget calls for the spending of $125.1 billion from the general fund, $54.9 billion from special funds and $3.3 billion from bond funds. The 2017-18 State Budget includes a funding increase of $3.1 billion for K-14 education, an expanded tax credit for low-wage workers and puts an additional $1.8 billion into the State's budget stabilization reserve, bringing the rainy-day fund balance to $8.5 billion, or 66% of the constitutional target. Significant features of the 2017-18 Budget include:

- total funding of $92.5 billion for K-12 education programs, including an increase in funding of $1.4 billion to continue the State's transition to LCFF, bringing the formula to 97% of full implementation;

- an increase of $877 million in one-time discretionary grants to provide school districts, charter schools and county offices of education with funds to be used for items such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards;

- an increase in $7 million to support county offices of education, which funding requires county superintendents of schools to summarize how the county offices of education will support school districts and schools within the county;

- $1.8 billion to pay down past budgetary borrowing and State employee pension liabilities;

- a $6 billion supplemental payment to PERS, on top of the actuarially determined annual contribution of $5.2 billion, through a loan from the State's Surplus Money Investment Fund, which will reduce unfunded liabilities, stabilize the State's contribution rate and save $11 billion over the next twenty years;

- $2.8 billion dollars for STRS, which contribution is consistent with the funding strategy of putting STRS on a sustainable path forward and eliminating its current unfunded liability in approximately 30 years;

- new appropriations of $2.8 billion, distributed evenly between State and local transportation authorities, to implement the Road Repair and Accountability Act of 2017;

- $84.9 million to address issues from the State's recent drought emergency, including $41.9 million to extend the fire season and expand the State's firefighting capabilities to reduce the fire risk from climate change, the recent drought and tree mortality; and

- an increase of $31.5 million to repair and maintain the aging infrastructure of the State's park system.

2018-19 Proposed State Budget

Proposed State Budget. On January 10, 2018, the Governor released the proposed State budget for fiscal year 2018-19 (the "**2018-19 Proposed Budget**"). The 2018-19 Proposed Budget, despite projecting a one-time surplus and assuming continued expansion of the State economy, proposes a $3.5 billion deposit in order to fully fund the State's "Rainy Day Fund" in order to soften the magnitude of any future budget cuts. The 2018-19 Proposed Budget includes $131.7 billion in general fund spending and reserves of $1.2 billion. The 2018-19 Proposed Budget revises the Proposition 98 minimum funding guarantee for school districts, community college districts, and other state agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 to $78.3 billion, reflecting a year-to-year increase of $3.1 billion from fiscal year 2017-18. This includes an approximately $3 billion investment to fully implement the LCFF two years earlier than originally projected. Ongoing Proposition 98 per-pupil expenditures in fiscal year 2018-19 are set at $11,614, an increase of $465 per-pupil over the revised level for fiscal year 2017-18. The Governor is required to release a May Revision to the proposed budget by May 14 of each year.

LAO Budget Overview. On January 12, 2018, the Legislative Analyst's Office (the "**LAO**"), a nonpartisan State office that provides fiscal and policy information and advice to the State Legislature, released its report on the 2018-19 Proposed State Budget entitled, "The 2018-19 Budget: Overview of the Governor's Budget" (the "**2018-19 Proposed Budget Overview**"). In the 2018-19 Proposed Budget Overview, the LAO commends the Governor's proposed total reserve balance of $15.7 billion, which includes an optional $3.5 billion deposit into the State's constitutional rainy day fund and $2.2 billion in discretionary reserves. The LAO believes that the State's emphasis on increasing budget reserves is prudent in light of economic and federal budget uncertainty, enabling the State to weather the next recession with minimal disruption to public programs. This commendation notwithstanding, the LAO urges the State Legislature to deliberate on its optimal level of reserves, as filling the rainy day fund now may constrain its ability to build more reserves or make other budget commitments in future years.

The 2018-19 Proposed Budget Overview also highlights the Governor's proposed allocation of funding increases for schools and community colleges. According to the estimates of the Governor's office, there are sizeable resources available to allocate within the constitutionally required funding guarantee for schools and community colleges, permitting the State to (1) fully fund the implementation of the K-12 LCFF, (2) increase community college apportionments and implement a new allocation formula, and (3) create a new high school career technical education program. The LAO believes that the proposed education spending is reasonable but notes that the State Legislature may take different, more efficient approaches to achieving the same education financing goals.

Furthermore, the 2018-19 Proposed Budget apportions some discretionary funds for a variety of new infrastructure projects. While the LAO considers these infrastructure proposals to have merit, it cautions against prioritizing some of the identified infrastructure projects, which may have alternative financing sources or may bring significant, ongoing costs to the State's general fund.

The complete 2018-19 Proposed Budget Overview is available from the LAO's website at www.lao.ca.gov. The District cannot, and does not, take any responsibility for the continued accuracy of such internet address or for the accuracy, completeness or timeliness of information posted on such address, and such information is not incorporated in this Official Statement by such reference.

May Revision. On May 11, 2018, the Governor released his May Revision to the 2018-19 Proposed Budget (the "**May Revision**"). The May Revision projects $137.6 billion in revenue and $137.6 billion in general fund spending, and directs $3.2 billion into the State's traditional reserve fund. The May Revision maintains the January proposal to fully fund the Rainy Day Fund, which is projected to have a balance of $9.4 billion at the end of the 2017-18 fiscal year, and projected to grow to $13.8 billion at the end of the 2018-19 fiscal year. The Governor continues to focus on one-time spending initiatives, while focusing on the core priorities of increasing K-12 education funding, combating homelessness, investing in infrastructure, and fighting climate change.

In particular, with respect to K-12 education funding, $74.8 billion of funding is provided for education under Proposition 98, representing an increase of $68 million from the 2018-19 Proposed Budget. The May Revision maintains the 3% increase in funding for higher education, and also provides each university system with $100 million in one-time funding for deferred maintenance purposes. The May Revision includes $359 million of new spending on homelessness programs, and a $312 million proposal to assist counties with mental health services. Two billion is budgeted for infrastructure funding, including $1 billion for deferred maintenance, and $1 billion for improvements to flood control, courts, higher education, and other state facilities. Finally, the May Revision proposes $96 million to implement the "Forest Carbon Plan" and to take other actions to protect California's forests against the threat of wildfires. This $96 million is in addition to the $160 million proposed in the cap-and-trade expenditure plan to support forest improvements and fire protection.

LAO Commentary on May Revision. On May 12, 2018, the LAO released its report on the May Revision entitled, "The 2018-19 Budget: The May Revision" (the "**LAO Report on the May Revision**"). The LAO notes that compared to January 2018, estimated revenues and transfers have increased by a combined $7.6 billion across fiscal years 2016-17 through 2018-19, which the LAO notes are primarily driven by higher revenues from personal income taxes and, to a lesser extent, the corporate tax. However, the increased revenues are largely offset by formula-driven constitutional spending requirements for education, outstanding debt and Medi-Cal. As of the May Revision, the LAO estimates that the Governor had $4.1 billion in discretionary resources to allocate, which were allocated to reserves and largely one-time spending purposes.

The LAO's initial assessment of the May Revision suggests that there are reasons to believe the State's General Fund could be in a considerably better condition than suggested by the May Revision. The reasons provided by the LAO are that (1) the LAO predicts higher revenue and transfer estimates than the administration's predictions, by $2.6 billion between fiscal years 2016-17 and 2018-19, largely due to the LAO's projections of high capital gains in 2017 and 2018, and high wages and salaries in 2019, and (2) constitutionally required education spending under Proposition 98 is likely to be lower than suggested by the May Revision due to ADA assumptions which are higher than the LAO predicts, and higher local property tax revenues. In addition, the LAO recommends that the Legislature scrutinize the Medi-Cal Budget and its underlying assumptions which likely result in high end estimates of the costs of deferred claims. Finally, the LAO comments that the total reserve balance shown in the May Revision ($17 billion) is slightly higher than proposed in January and that the Governor uses available discretionary revenues for spending on largely one-time purposes, both of which are tools used to plan for a recession. The LAO notes that a mild recession occurring after 2018-19 might not require many actions such as spending cuts or revenue increases to bring the budget into balance, but a moderate or severe recession would still require many billions of dollars in actions over many years to bring the budget back into balance.

Disclaimer Regarding State Budgets. The execution of the foregoing 2017-18 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities such as pension or OPEB and (v) other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the accuracy of any assumptions or projections made in State budgets. Additionally, the District cannot predict the impact that the 2017-18 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Refunding Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitment with the District, the County, the Underwriter or the Owners of the Refunding Bonds to provide State budget information to the District or the owners of the Refunding Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

Availability of State Budget Documents. The complete 2017-18 State Budget, 2018-19 Proposed State Budget and the May Revision are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget and related documents is posted by the Legislative Analyst Office at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon in making an investment decision with respect to the Refunding Bonds.

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

Legal Challenges to State Funding of Education

The application of Proposition 98 (as discussed below) and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 39 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. All but one of the District's outstanding general obligation bonds were authorized pursuant to clause (iii) above. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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

Unitary Property

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

Articles XIIIC and XIIID

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

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

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

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Refunding Bonds.

Proposition 98

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

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

Proposition 111

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

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

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 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 two-thirds) 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, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could 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 two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district 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.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers and over, $340,000 but less than $408,000 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers and over $408,000 but less than $680,000 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "-Proposition 98" and "-Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018; Proposition 55 did not extend the sales tax increase that was approved as part of Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

Proposition 1A and Proposition 22

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

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

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

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 53515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* tax collections such as the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Governing Board
Alvord Unified School District
Corona, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alvord Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

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 Alvord Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 75, schedule of other postemployment benefits funding progress on page 76, schedule of the district's proportionate share of net pension liability on page 77, and the schedule of district contributions on page 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alvord Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the Alvord Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Alvord Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alvord Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

Alvord Unified School District

Annual Financial Report

June 30, 2017

ALVORD UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

ALVORD UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

This page left blank intentionally.

This page left blank intentionally.

9 KPC Parkway Corona, California 92879 | P: (951) 509-5000 | F: (951) 509-6070

This section of Alvord Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Alvord Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's Net Position and changes in them. Net Position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District reports all of its services in the following category:

Governmental Activities - This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position.* We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund . The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Total Net Position decreased 121.1 percent over the course of the year. Overall revenues were $249,837,313, $14,774,807 less than expenses. The total cost of basic programs was $264,612,120. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just $261,976,497. Average daily attendance (ADA) in grades K-12 decreased by 237, or 1.3 percent.

THE DISTRICT AS A WHOLE

Net Position

The District's Net Position was $(26,965,221) for the fiscal year ended June 30, 2017. Of this amount, $(187,861,513) was unrestricted. Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that Net Position for day-to-day operations. Our analysis below, in summary form, focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 65,094,326	$ 76,161,598
Capital assets	366,109,233	362,223,496
Total Assets	**431,203,559**	**438,385,094**
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	**53,922,417**	**49,730,979**
Liabilities		
Current liabilities	17,221,634	15,783,803
Long-term obligations	285,248,356	286,611,253
Aggregate net pension liability	204,223,076	166,062,392
Total Liabilities	**506,693,066**	**468,457,448**
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	**5,398,131**	**31,849,039**
Net Position		
Net investment of capital assets	135,733,713	134,466,240
Restricted	25,162,579	27,206,006
Unrestricted	(187,861,513)	(173,862,660)
Total Net Position	**$ (26,965,221)**	**$ (12,190,414)**

Unrestricted Net Position decreased to $(187,861,513), compared to $(173,862,660), in the previous period.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 782,767	$ 701,871
Operating grants and contributions	41,749,701	39,130,203
Capital grants and contributions	103,155	36,883
General revenues:		
Federal and State aid not restricted	162,657,068	160,842,612
Property taxes	41,572,130	36,348,341
Other general revenues	2,972,492	8,982,410
Total Revenues	**249,837,313**	**246,042,320**
Expenses		
Instruction-related	185,729,771	180,202,582
Pupil services	29,413,045	28,421,368
Administration	11,426,029	11,172,958
Plant services	20,144,889	23,335,887
Other	17,898,386	20,608,774
Total Expenses	**264,612,120**	**263,741,569**
Change in Net Position	**$ (14,774,807)**	**$ (17,699,249)**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $264,612,120. The amount that our taxpayers ultimately financed for these activities through local taxes was only $41,572,130. The District also collected $782,767 in charges for services from these that benefited from the programs. Other governmental agencies and organizations subsidized certain programs with grants and contributions of $41,852,856. We paid for the remaining "public benefit" portion of our governmental activities with $165,629,560 in unrestricted State and Federal funds, and with other revenues and other entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction-related	$ 185,729,771	$ 180,202,582	$ 158,283,315	$ 154,410,476
Pupil services	29,413,045	28,421,368	17,196,685	16,510,331
Administration	11,426,029	11,172,958	9,897,840	10,015,531
Plant services	20,144,889	23,335,887	20,000,474	23,031,614
Other	17,898,386	20,608,774	16,598,183	19,904,660
Total	**$ 264,612,120**	**$ 263,741,569**	**$ 221,976,497**	**$ 223,872,612**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $45,273,024, which is a decrease of $11,545,019 from last year (Table 4).

Table 4

	Balances and Activity			
	June 30, 2016 as Restated	Revenues	Expenditures	June 30, 2017
General Fund	$ 14,424,306	$ 224,359,932	$ 219,916,933	$ 18,867,305
Building Fund	10,725,775	3,029,092	13,438,038	316,829
County School Facilities Fund	12,727,709	103,154	2,636,651	10,194,212
Bond Interest and Redemption Fund	8,928,609	12,630,751	11,991,907	9,567,453
Adult Education Fund	40,474	409,904	247,464	202,914
Cafeteria Fund	3,610,944	10,705,822	10,947,493	3,369,273
Capital Facilities Fund	448,016	421,622	385,856	483,782
Special Reserve Fund for Capital Outlay Projects	3,031,336	83,974	2,126,916	988,394
Capital Project Fund for Blended Component Units	1,000,987	282,208	333	1,282,862
Debt Service Fund for Blended Component Units	1,879,887	147,334	2,027,221	-
Total	**$ 56,818,043**	**$ 252,173,793**	**$ 263,718,812**	**$ 45,273,024**

The primary reasons for these increases/decreases are:

- $4,442,999 increase to the General Fund balance – planned expenditures to be lower than revenues in 2016-17 in order to help maintain the three percent reserve requirement through 2018-19.
- $10,408,946 decrease in the Building Fund balance – the District is engaged in multiple site repair and modernization projects in accordance with the specifications of the Measures H and W bonds.
- $2,533,497 decrease to the County School Facilities Fund balance – the District is engaged in multiple site repair and modernization projects.
- $638,844 increase in the Bond Interest and Redemption Fund balance. This fund is relatively stable as it serves as a holding fund.
- $162,440 increase to Adult Education Fund – the District has been expanding services for this program as of the prior fiscal year.
- $241,671 decrease to the Cafeteria Fund balance – the District is required to reduce this Fund balance and made materials and capital expenditures to accomplish this.
- $35,766 increase in the Capital Facilities Fund balance – the District is using these funds for site improvement projects.
- $2,042,942 decrease in the Special Reserve Fund for Capital Outlay Project Fund balance – RDA revenues deposited in this fund are used to fund site repairs and District Office lease payments.
- $281,875 increase in the Capital Project Fund for Blended Component Units Fund balance. This fund is relatively stable as it serves as a holding fund.
- $1,879,887 decrease in the Debt Service Fund for Blended Component Units Fund balance. This fund is relatively stable as it serves as a holding fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 15, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 75).

- Total General Fund Revenues increased by **$4.6** million in 2016-2017 from Budget Adoption to Unaudited Actuals.
- LCFF Revenues - reduced $314,000 as a result of final annual ADA figures and fluctuating Gap Funding through LCFF.
- Federal Revenues - increased $432,000 as prior-year Deferred Revenues were budgeted.
- Other State Revenues - total increase of $1.9 million. Increase is primarily the result of an increase to the rate applied to the state-wide STRS "On Behalf" calculation.
- Local Revenues increased $2.6 million - increased RDA Revenue of $1.77 million, increased eRate funding by $424,000, Miscellaneous Sources $131,000. Reductions: SELPA funding $300,000.
- Budgeted expenditures decreased by $1.2 million as the District experienced savings from vacant positions as well as unexpended budgets and department budget reductions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $366,109,233 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately $3,885,737, or 1.1 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in progress	$ 46,435,618	$ 40,283,043
Buildings and improvements	314,105,455	316,964,369
Equipment	5,568,160	4,976,084
Total	**$ 366,109,233**	**$ 362,223,496**

Additional information on the District's capital assets can be found in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $285,248,356 in long-term obligations outstanding versus $286,611,253 last year, a decrease of 0.5 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds (net of premium)	$ 261,994,176	$ 259,245,678
Certificates of participation (QZAB)	-	2,027,061
Capital lease	5,217,492	6,409,790
Supplemental early retirement plan (SERP)	-	861,679
Compensated absences	974,062	1,033,479
Other postemployment benefits	11,083,626	9,983,566
Claims liability	5,979,000	7,050,000
Total	**$ 285,248,356**	**$ 286,611,253**

Additional information on the District's long-term obligations can be found in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had an aggregate net pension liability of $285,248,356 as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Detailed information regarding the plans is disclosed in Note 14 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the **2017-2018** year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula income increased by 3.35 percent ($327 per ADA or a total of $3.7 million) in the Adopted Budget based on 2016-20176 P-2 ADA and 80.91 percent UPP (three-year average).
2. Developer fee collections are based on approximate new housing units to be constructed.
3. Federal income will remain relatively flat.
4. State Income will remain relatively flat.
5. Local income will be budgeted only on predictable sources such as leases, interest, and SELPA funding.

Expenditures are based on the following forecasts:

	Enrollment
Grades kindergarten through third	5,859
Grades four through eight	7,202
Grades nine through twelve	5,876

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services at Alvord Unified School District, Corona, California, or e-mail at susana.lopez@alvord.k12.ca.us.

ALVORD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 59,327,986
Receivables	5,535,017
Prepaid expenses	2,118
Stores inventories	222,297
Capital assets	
Land and construction in process	46,435,618
Other capital assets	478,031,585
Less: Accumulated depreciation	(158,357,970)
Total Capital Assets	366,109,233
Total Assets	431,196,651
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	53,922,417
LIABILITIES	
Accounts payable	12,989,425
Accrued interest payable	3,533,367
Unearned revenue	691,934
Long-term obligations:	
Current portion of long-term obligations other than pensions	6,281,578
Noncurrent portion of long-term obligations other than pensions	278,966,778
Total Long-Term Liabilities	285,248,356
Aggregate net pension liability	204,223,076
Total Liabilities	506,686,158
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	5,398,131
NET POSITION	
Net investment of capital assets	135,733,713
Restricted for:	
Debt service	6,034,086
Capital projects	10,677,994
Educational programs	4,950,216
Other activities	3,500,283
Unrestricted	(187,861,513)
Total Net Position	$ (26,965,221)

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 158,841,972	$ -	$ 22,608,731	$ 103,155	$(136,130,086)
Instruction-related activities:					
Supervision of instruction	11,018,615	-	4,003,807	-	(7,014,808)
Instructional library, media, and technology	2,341,690	-	152,161	-	(2,189,529)
School site administration	13,527,494	-	578,602	-	(12,948,892)
Pupil services:					
Home-to-school transportation	3,927,013	-	60,050	-	(3,866,963)
Food services	11,338,688	739,618	9,389,328	-	(1,209,742)
All other pupil services	14,147,344	-	2,027,364	-	(12,119,980)
Administration:					
Data processing	3,233,245	-	124	-	(3,233,121)
All other administration	8,192,784	35,452	1,492,613	-	(6,664,719)
Plant services	20,144,889	7,697	136,718	-	(20,000,474)
Ancillary services	2,297,615	-	84,810	-	(2,212,805)
Enterprise services	5,028	-	-	-	(5,028)
Interest on long-term obligations	15,076,400	-	-	-	(15,076,400)
Other outgo	519,343	-	1,215,393	-	696,050
Total Governmental Activities	$ 264,612,120	$ 782,767	$ 41,749,701	$ 103,155	(221,976,497)

General revenues and subventions:	
Property taxes, levied for general purposes	27,203,213
Property taxes, levied for debt service	12,593,507
Taxes levied for other specific purposes	1,775,410
Federal and State aid not restricted to specific purposes	162,657,068
Interest and investment earnings	277,857
Miscellaneous	2,694,635
Subtotal, General Revenues	207,201,690
Change in Net Position	(14,774,807)
Net Position - Beginning	(12,190,414)
Net Position - Ending	$ (26,965,221)

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 24,698,911	$ 1,385,422	$ 12,798,712
Receivables	3,551,547	474,864	32,151
Due from other funds	306,790	2,566,651	-
Prepaid expenditures	2,118	-	-
Stores inventories	-	-	-
Total Assets	$ 28,559,366	$ 4,426,937	$ 12,830,863
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 8,707,829	$ 4,110,108	$ -
Due to other funds	292,298	-	2,636,651
Unearned revenue	691,934	-	-
Total Liabilities	9,692,061	4,110,108	2,636,651
Fund Balances:			
Nonspendable	17,118	-	-
Restricted	4,950,216	316,829	10,194,212
Assigned	7,330,641	-	-
Unassigned	6,569,330	-	-
Total Fund Balances	18,867,305	316,829	10,194,212
Total Liabilities and Fund Balances	$ 28,559,366	$ 4,426,937	$ 12,830,863

The accompanying notes are an integral part of these financial statements.

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 9,567,453	$ 4,978,464	$ 53,428,962
-	1,437,467	5,496,029
-	70,000	2,943,441
-	-	2,118
-	222,297	222,297
$ 9,567,453	$ 6,708,228	$ 62,092,847
$ -	$ 136,420	$ 12,954,357
-	244,583	3,173,532
-	-	691,934
-	381,003	16,819,823
-	225,939	243,057
9,567,453	5,112,892	30,141,602
-	988,394	8,319,035
-	-	6,569,330
9,567,453	6,327,225	45,273,024
$ 9,567,453	$ 6,708,228	$ 62,092,847

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds		$ 45,273,024
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 524,467,203	
Accumulated depreciation is	(158,357,970)	
Net Capital Assets		366,109,233
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,533,367)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		154,035
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	17,459,834	
Net change in proportionate share of net pension liability	15,561,748	
Difference between projected and actual earnings on pension plan investments	19,210,139	
Differences between expected and actual experience in the measurement of the total pension liability	1,690,696	
Total Deferred Outflows of Resources Related to Pensions		53,922,417
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(194,235)	
Differences between expected and actual experience in the measurement of the total pension liability	(4,022,873)	
Changes in assumptions	(1,181,023)	
Total Deferred Inflows of Resources Related to Pensions		(5,398,131)

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2017

Aggregate Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (204,223,076)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ 217,880,233	
Unamortized premium on issuance	8,877,486	
Capital lease	5,217,492	
Compensated absences (vacation)	974,062	
Other postemployment benefits (OPEB)	11,083,626	
In addition, in 2011 and 2013 the District issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	35,236,457	
Total Long-Term Obligations		$ (279,269,356)
Total Net Position - Governmental Activities		**$ (26,965,221)**

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Local Control Funding Formula	$ 182,230,158	$ -	$ -
Federal sources	10,850,968	-	-
Other State sources	23,972,834	-	-
Other local sources	6,305,972	62,441	103,154
Total Revenues	223,359,932	62,441	103,154
EXPENDITURES			
Current			
Instruction	139,587,429	-	-
Instruction-related activities:			
Supervision of instruction	10,458,300	-	-
Instructional library, media, and technology	2,234,963	-	-
School site administration	12,787,293	-	-
Pupil services:			
Home-to-school transportation	3,110,469	-	-
Food services	37,366	-	-
All other pupil services	13,446,984	-	-
Administration:			
Data processing	3,104,474	-	-
All other administration	7,884,077	-	-
Plant services	20,900,300	-	-
Facility acquisition and construction	387,880	13,438,038	-
Ancillary services	2,205,421	-	-
Other outgo	519,343	-	-
Debt service			
Principal	1,189,016	-	-
Interest and other	259,920	-	-
Total Expenditures	218,113,235	13,438,038	-
Excess (Deficiency) of Revenues Over Expenditures	5,246,697	(13,375,597)	103,154
Other Financing Sources (Uses)			
Transfers in	-	2,966,651	-
Transfers out	(803,698)	-	(2,636,651)
Net Financing Sources (Uses)	(803,698)	2,966,651	(2,636,651)
NET CHANGE IN FUND BALANCES	4,442,999	(10,408,946)	(2,533,497)
Fund Balance - Beginning	14,424,306	10,725,775	12,727,709
Fund Balance - Ending	$ 18,867,305	$ 316,829	$ 10,194,212

The accompanying notes are an integral part of these financial statements.

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 182,230,158
-	9,964,919	20,815,887
116,541	955,888	25,045,263
12,514,210	1,631,779	20,617,556
12,630,751	12,552,586	248,708,864
-	171,627	139,759,056
-	3,595	10,461,895
-	-	2,234,963
-	34,477	12,821,770
-	-	3,110,469
-	11,036,770	11,074,136
-	12,382	13,459,366
-	-	3,104,474
-	811,670	8,695,747
-	1,072,969	21,973,269
-	1,247,129	15,073,047
-	-	2,205,421
-	-	519,343
3,545,000	2,030,343	6,764,359
8,446,907	493	8,707,320
11,991,907	16,421,455	259,964,635
638,844	(3,868,869)	(11,255,771)
-	184,450	3,151,101
-	-	(3,440,349)
-	184,450	(289,248)
638,844	(3,684,419)	(11,545,019)
8,928,609	10,011,644	56,818,043
$ 9,567,453	$ 6,327,225	$ 45,273,024

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ (11,545,019)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	$ 17,494,807	
Depreciation expense	(13,609,070)	
Net Expense Adjustment		3,885,737
In the Statement of Activities, certain operating expenses - special termination benefits (supplement early retirement plans) - 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 amount actually paid). The amount paid by the District was more than amounts committed to annuities by $861,679.		861,679
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(7,518,338)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) - 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). Vacation used was more than amounts earned by $59,417.		59,417
Contributions for postemployment benefits are recorded as an expenditure in the governmental funds when paid. However, the difference between the annual OPEB cost and the actual contribution made, if less, is recorded in the government wide statements as an expense. The actual amount of the contribution was less than the annual OPEB cost by $1,110,060.		(1,100,060)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		3,545,000
Certificates of participation (QZAB)		2,027,061
Capital lease obligations		1,192,298

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2017

Under the modified basis of accounting used in the governmental funds, expenditure are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net change for the following balance:		
Amortization of debt premium	$	372,228
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditures in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest on the general obligation bonds increased by $75,758. Additionally, $6,665,726 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds and bond anticipation notes.		(6,741,308)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net change in the internal service fund is reported with governmental activities.		186,498
Change in Net Position of Governmental Activities	$	(14,774,807)

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 5,899,024
Receivables	38,988
Due from other funds	292,374
Total Current Assets	6,230,386
LIABILITIES	
Current Liabilities	
Accounts payable	35,068
Due to other funds	62,283
Current portion of claims liability and assessment	1,184,578
Total Current Liabilities	1,281,929
Noncurrent Liabilities	
Noncurrent portion of claims liability and assessment	4,794,422
Total Liabilities	6,076,351
NET POSITION	
Restricted	$ 154,035

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 932,242
Other operating revenues	546,304
Total Operating Revenues	1,478,546
OPERATING EXPENSES	
Payroll costs	1,407,906
Supplies and materials	68,230
Other operating cost	158,889
Total Operating Expenses	1,635,025
Operating Loss	(156,479)
NONOPERATING REVENUES	
Interest income	53,729
Transfers in	289,248
Total Nonoperating Revenues	342,977
Change in Net Position	186,498
Total Net Position - Beginning	(32,463)
Total Net Position - Ending	$ 154,035

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 1,148,035
Other operating cash receipts	546,304
Cash payments to other suppliers of goods or services	(703,161)
Cash payments to employees for services	(1,407,906)
Cash payments for insurance premiums	(1,232,585)
Net Cash Used for Operating Activities	(1,649,313)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in	289,248
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	53,729
Net Decrease in Cash and Cash Equivalents	(1,306,336)
Cash and Cash Equivalents - Beginning	7,205,360
Cash and Cash Equivalents - Ending	$ 5,899,024
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (156,479)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Changes in assets and liabilities:	
Increase in receivables	(2,696)
Decrease in due from other fund	153,510
Increase in accrued liabilities	(634,931)
Increase in due to other fund	62,283
Decrease in claims liability	(1,071,000)
NET CASH USED FOR OPERATING ACTIVITIES	$ (1,649,313)

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 72,709	$ 2,825,957
Receivables	6,671	-
Stores inventories	-	70,706
Total Assets	79,380	$ 2,896,663
LIABILITIES		
Due to student groups	-	$ 960,714
Due to bondholders	-	1,935,949
Total Liabilities	-	$ 2,896,663
NET POSITION		
Restricted	$ 79,380	

The accompanying notes are an integral part of these financial statements.

ALVORD UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Scholarship Trust
ADDITIONS	
Private donations	$ 69,069
Interest	532
Total Additions	69,601
DEDUCTIONS	
Other expenditures	69,050
Change in Net Position	551
Net Position - Beginning	78,829
Net Position - Ending	$ 79,380

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Alvord Unified School District was unified on July 1, 1960 under the laws of the State of California. 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 and/or Federal agencies. The District operates twelve elementary schools, four middle schools, three comprehensive high schools, and one continuation school.

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, boards, and agencies that are not legally separate from the District. For Alvord Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

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 may be 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. For financial reporting purposes, the component units described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District.

The Alvord Unified Schools Financing Corporation's (the Corporation) financial activity is presented in the financial statements as the Debt Service Fund for Blended Component Units. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. The Community Facilities Districts (the CFDs) of the Alvord Unified School District's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and as an Agency Fund. Long-term obligations of the CFDs do not represent obligations of the District and thus are not included in the government-wide financial statements. Individually-prepared financial statements are not available for the Corporation or the CFDs.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of special revenue funds as this fund is no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund, being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $145,151.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds the Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation.

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a workers' compensation program that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund accounts for scholarship activity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes for payments on non-obligatory debt related to the CFDs.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. 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*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net Position should be reported as restricted when constraints placed on Net Position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Net Position restricted for other activities result from special revenue funds, and the internal service fund and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the Statement of Net Position. The statement of changes in fund Net Position presents increases (revenues) and decreases (expenses) 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 fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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 equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the County investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amount paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, five to 50 years; equipment, two to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized 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 available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' Fiduciary Net Position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amount that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority of the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net Position represents the difference between assets and liabilities. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report $25,162,579 of restricted Net Position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$	59,327,986
Fiduciary funds		2,898,666
Total Deposits and Investments	$	62,226,652

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$	1,024,188
Cash in revolving		140,130
Investments		61,062,334
Total Deposits and Investments	$	62,226,652

Policies and Practices

The District is 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 and/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.

Investment 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 their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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 based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Registered State Bonds, Notes, Warrants	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Export-Import Bank	5 years	None	None
Rural Economic Community Development Administration Bonds	5 years	None	None
U.S. Maritime Administration Certificates	5 years	None	None
Small Business Administration Certificates	5 years	None	None
U.S. Department of Housing and Urban Development Bonds	5 years	None	None
Federal Housing Administration Debentures	5 years	None	None
Federal Home Loan Mortgage Corporation Obligations	5 years	None	None
Federal Financing Bank Bonds	5 years	None	None
Federal Home Loan Banks Obligations	N/A	None	None
Federal National Mortgage Association Obligations	5 years	None	None
Resolution Funding Corporation Obligations	5 years	None	None
Fully Insured Deposits, Federal Funds and Bankers' Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	120 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Riverside County Investment Pool	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Treasury Investment Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days
Riverside County Treasury Investment Pool	$ 57,843,523	412
First American Treasury Obligation Money Market Funds, Class D	3,218,811	34
Total	$ 61,062,334	

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 District's investment in the Riverside County Treasury Investment Pool is rated Aaa by Moody's Investor Service. In addition, the First American Treasury Obligation Money Market Funds is also rated Aaa by Moody's Investor Service.

Custodial Credit Risk - Deposits

This 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 agency. 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, 2017, the District's bank balance of $1,051,069 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Fair Value Measurement Using Level 2 Inputs	Uncategorized
Riverside County Treasury Investment Pool	$ 57,843,523	$ -	$ 57,843,523
First American Treasury Obligation Money Market Funds, Class D	3,218,811	3,218,811	-
Total	$ 61,062,334	$ 3,218,811	$ 57,843,523

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds
Federal Government				
Categorical aid	$ 1,302,885	$ -	$ -	$ 1,293,303
State Government				
Categorical aid	1,084,515	-	-	68,635
Lottery	813,237	-	-	-
Local Government				
Interest	67,632	9,825	32,151	5,693
Other Local Sources	283,278	465,039	-	69,836
Total	$ 3,551,547	$ 474,864	$ 32,151	$ 1,437,467

	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government			
Categorical aid	$ -	$ 2,596,188	$ -
State Government			
Categorical aid	-	1,153,150	-
Lottery	-	813,237	-
Local Government			
Interest	14,776	130,077	172
Other Local Sources	24,212	842,365	6,499
Total	$ 38,988	$ 5,535,017	$ 6,671

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 28,467,848	$ 78,106	$ -	$ 28,545,954
Construction in progress	11,815,195	16,472,007	10,397,538	17,889,664
Total Capital Assets Not Being Depreciated	40,283,043	16,550,113	10,397,538	46,435,618
Capital Assets Being Depreciated:				
Land improvements	43,643,653	365,939	-	44,009,592
Buildings and improvements	405,329,455	9,126,203	-	414,455,658
Furniture and equipment	16,200,069	1,621,490	-	17,821,559
Vehicles	1,516,176	228,600	-	1,744,776
Total Capital Assets Being Depreciated	466,689,353	11,342,232	-	478,031,585
Total Capital Assets	506,972,396	27,892,345	10,397,538	524,467,203
Less Accumulated Depreciation:				
Land improvements	24,123,291	1,958,388	-	26,081,679
Buildings and improvements	107,885,448	10,392,668	-	118,278,116
Furniture and equipment	11,594,207	1,140,815	-	12,735,022
Vehicles	1,145,954	117,199	-	1,263,153
Total Accumulated Depreciation	144,748,900	13,609,070	-	158,357,970
Governmental Activities Capital Assets, Net	$ 362,223,496	$ 14,283,275	$ 10,397,538	$ 366,109,233

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 12,248,163
School site administration	54,436
Home-to-school transportation	816,544
Food services	122,482
Data processing	68,045
All other administration	122,482
Plant services	176,918
Total Depreciation Expenses Governmental Activities	$ 13,609,070

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds, and internal service funds are as follows:

	Due From				
Due To	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ -	$ 244,507	$ 62,283	$ 306,790
Building Fund	-	2,566,651	-	-	2,566,651
Non-Major Governmental Funds	-	70,000	-	-	70,000
Internal Service Fund	292,298	-	76	-	292,374
Total	$ 292,298	$ 2,636,651	$ 244,583	$ 62,283	$ 3,235,815

A balance of $292,298 due to the Internal Service Fund from the General Fund resulted from the District's contribution of additional funds restricted for the District's self-insured workers' compensation program.

The balance of $2,566,651 due to the Building Fund from the County School Facilities Fund resulted from reimbursemnet of qualifying capital outlay costs.

All remaining balances resulted from the time lag between the date (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	Transfer From		
Transfer To	General Fund	County School Facilities Fund	Total
Buliding Fund	$ 400,000	$ 2,566,651	$ 2,966,651
Non-Major Governmental Funds	114,450	70,000	184,450
Internal Service Fund	289,248	-	289,248
Total	$ 803,698	$ 2,636,651	$ 3,440,349

The General Fund transferred to the Building Fund for qualifying capital outlay costs.	$ 400,000
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for the District's debt service requirements on its outstanding certificates of participation (QZAB).	114,450
The General Fund transferred to the Internal Service Fund for additional funds necessary to offset higher projected workers' compensation claims liability.	289,248
The County School Facilities Fund transferred to the Building Fund for reimbursement of quaifying capital outlay costs.	2,566,651
The County School Faciltiies Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of qualifying capital outlay costs.	70,000
Total	$ 3,440,349

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	$ 1,156,374	$ -	$ 22,940	$ -	$ 1,179,314
LCFF apportionment	3,348,636	-	-	-	3,348,636
Supplies	196,175	-	65,375	-	261,550
Services	2,672,956	7,693	42,189	35,068	2,757,906
Construction	374,039	4,102,415	5,916	-	4,482,370
Due to Riverside County Office of Education	943,095	-	-	-	943,095
Other payables	16,554	-	-	-	16,554
Total	$ 8,707,829	$ 4,110,108	$ 136,420	$ 35,068	$ 12,989,425

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund
Federal financial assistance	$ 1,800
State categorical aid	690,134
Total	$ 691,934

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
2002 Refunding General Obligation Bonds, Series A	$ 32,815,000	$ -	$ 1,945,000	$ 30,870,000	$ 2,065,000
Premium on issuance of debt	55,861	-	10,476	45,385	-
2007 General Obligation Bonds, Series A	53,290,000	-	1,195,000	52,095,000	1,365,000
Premium on issuance of debt	1,694,764	-	103,764	1,591,000	-
2007 General Obligation Bonds, Series B	84,849,123	6,391,700	305,000	90,935,823	155,000
Premium on issuance of debt	5,889,661	-	196,870	5,692,791	-
2012 General Obligation Bonds, Series A	79,041,841	274,026	100,000	79,215,867	250,000
Premium on issuance of debt	1,609,428	-	61,118	1,548,310	-
2002 Certificates of Participation, Series 2002 (QZAB)	2,027,061	-	2,027,061	-	-
Capital lease	6,409,790	-	1,192,298	5,217,492	1,262,000
Supplemental early retirement plan (SERP)	861,679	-	861,679	-	-
Compensated absences (vacation)	1,033,479	-	59,417	974,062	-
Other postemployment benefits (OPEB)	9,983,566	1,960,086	860,026	11,083,626	-
Claims liability	7,050,000	113,578	1,184,578	5,979,000	1,184,578
	$ 286,611,253	$ 8,739,390	$ 10,102,287	$ 285,248,356	$ 6,281,578

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made by the General Fund. The General Fund also makes payments for the capital leases, and the Supplemental Early Retirement Plan (SERP). The accrued vacation was paid by the fund for which the employee worked. Other postemployment benefits are generally paid by the General Fund. The claims liability will be paid by the Internal Service Fund.

2002 Refunding General Obligation Bonds, Series A

On November 5, 2002, the District issued the 2002 Refunding General Obligation Bonds, Series A in the amount of $52,810,000. The bonds have a final maturity to occur August 1, 2030 with interest rates ranging from 2.30-5.90 percent. Proceeds from the sale of bonds were used to provide advance refunding of the District's $12,000,000 1997 General Obligation Bonds, Series A, $22,000,000 1997 General Obligation Bonds, Series B, $14,000,000 General Obligation Bonds, Series C, and $9,000,000 1997 General Obligation Bonds, Series D. As of June 30, 2017, the principal balance of $30,870,000 remained outstanding and unamortized premium on issuance amounted to $45,385.

2007 General Obligation Bonds, Series A

On May 1, 2008, the District issued the 2007 General Obligation Bonds, Series A in the amount of $60,000,000. The Series A represents the first of the authorized bonds not to exceed $196,000,000 to be issued under the measure as approved by voters. The bonds have a final maturity to occur August 1, 2032 with interest rates ranging from 3.50-5.00 percent. Proceeds from the sale of bonds were used to finance the acquisition, construction, renovation, and repair of certain school facilities. As of June 30, 2017, the principal balance of $52,095,000 remained outstanding. Unamortized premium on issuance was $1,591,000.

2007 General Obligation Bonds, Series B

On June 15, 2011, the District issued the 2007 General Obligation Bonds, Series B in the amount of $56,941,560. The Series B represents the second series of the authorized bonds not to exceed $196,000,000 to be issued under the measure as approved by the voters. The Series B bonds were issued as capital appreciation bonds and convertible capital appreciation bonds, with the value of the capital appreciation bonds accreting to $210,049,593 and convertible capital appreciation bonds accreting to $42,623,847. The Series B bonds will have an aggregate principal debt service balance of $309,615,000.

The bonds have a final maturity to occur on August 1, 2046 with interest rates ranging from 3.00 to 5.10 percent. Proceeds from the sale of bonds were used for defeasance of the outstanding principal balance on the $60,000,000 2009 General Obligation Bond Anticipation Notes. At June 30, 2017, the principal outstanding (including accretion) was $90,935,823. Unamortized premium received on issuance $5,692,791.

2012 General Obligation Bonds, Series A

On November 21, 2013, the District issued the 2012 General Obligation Bonds, Series A, in the amount of $78,998,673. The Series A represents the first series of the reauthorized bonds not to exceed $79,000,000 to be issued under the measure as approved by the voters. The Series A bonds were issued as current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $3,596,327 and an aggregate principal debt service balance of $82,595,000. The bonds have a final maturity to occur on August 1, 2042 with interest rates ranging from 5.00 to 5.25 percent. Proceeds from the sale of the bonds were used for defeasance of the outstanding principal balance on the $51,999,394 2010 General Obligation Bond Anticipation Notes and to finance the renovation, acquisition, and construction of District buildings and facilities. At June 30, 2017, the principal outstanding (including accretion) was $79,215,867. Unamortized premium received on issuance was $1,548,310.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted	Redeemed	Bonds Outstanding June 30, 2017
11/5/2002	8/1/2030	2.30-5.90%	$ 52,810,000	$ 32,815,000	$ -	$ 1,945,000	$ 30,870,000
5/1/2008	8/1/2032	3.50-5.00%	60,000,000	53,290,000	-	1,195,000	52,095,000
6/15/2011	8/1/2046	3.00-5.10%	56,941,560	84,849,123	6,391,700	305,000	90,935,823
11/21/2013	8/1/2042	5.00-5.25%	78,998,673	79,041,841	274,026	100,000	79,215,867
				$ 249,995,964	$ 6,665,726	$ 3,545,000	$ 253,116,690

Debt Service Requirements to Maturity

The bonds mature through August 1, 2046 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2018	$ 3,835,000	$ -	$ 8,438,083	$ 12,273,083
2019	4,555,000	-	8,211,140	12,766,140
2020	5,555,000	-	7,937,843	13,492,843
2021	6,725,000	-	7,605,285	14,330,285
2022	7,895,000	-	7,196,488	15,091,488
2023-2027	43,171,091	12,213,909	33,406,050	88,791,050
2028-2032	40,529,313	9,515,687	44,717,479	94,762,479
2033-2037	43,218,162	48,051,838	35,803,394	127,073,394
2038-2042	51,823,155	90,831,845	29,029,406	171,684,406
2043-2047	45,809,969	60,420,031	16,412,455	122,642,455
Total	$ 253,116,690	$ 221,033,310	$ 198,757,623	$ 672,907,623

2002 Certificates of Participation, Series 2002 (Qualified Academy Zone Bonds)

On December 3, 2002, the District, pursuant to a sublease agreement with the Alvord Unified School District Financing Corporation (the Corporation), issued the $2,027,061 Certificates of Participation, Series 2002 (Qualified Academy Zone Bonds) (QZAB). The District has been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed $5,728,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance certain projects at qualified zone academies within the District. The District and the Corporation, in order to facilitate the financing of projects qualified under the QZAB Program, entered into a lease arrangement by which the District will lease to the Corporation those certain parcels of real property located within the District and pursuant to a sublease, the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation. The annual base rental payment of $114,450 to begin December 1, 2003, will be deposited with Bank of America into an interest generating investment to produce sufficient income to repay the $2,027,061 certificates upon maturity on December 3, 2017. At June 30, 2017, the District has fully paid its obligations related to the 2002 Certificates of Participation, Series 2002.

Capital Leases

The District has entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on these lease agreements with options to purchase is summarized below:

	Equipment	Energy Efficiency Project	Total
Balance, July 1, 2016	$ 384,125	$ 7,017,834	$ 7,401,959
Payments	(192,063)	(1,181,554)	(1,373,617)
Balance, June, 30, 2017	$ 192,062	$ 5,836,280	$ 6,028,342

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	$ 1,403,706
2019	792,565
2020	346,393
2021	334,341
2022	329,843
2023-2027	1,768,406
2028-2030	1,053,088
Total	6,028,342
Less: Amount Representing Interest	(810,850)
Present Value of Minimum Lease Payments	$ 5,217,492

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $974,062.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $2,226,358, and contributions made by the District during the year were $860,026. Interest on the net OPEB obligation and adjustments to the annual required contribution were $449,260 and $(715,533), respectively, which resulted in an increase to the net OPEB obligation of $1,100,060. As of June 30, 2017, the net OPEB obligation was $11,083,626. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for worker's compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2017, amounted to $5,979,000, using a discount factor of one and half percent.

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $7,040,000 as of June 30, 2017, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 15,000	$ -	$ -	$ -	$ 3,642	$ 18,642
Stores inventories	-	-	-	-	222,297	222,297
Prepaid expenditures	2,118	-	-	-	-	2,118
Total Nonspendable	17,118	-	-	-	225,939	243,057
Restricted						
Legally Restricted Programs	4,950,216	-	-	-	3,346,248	8,296,464
Capital projects	-	316,829	10,194,212	-	1,766,644	12,277,685
Debt services	-	-	-	9,567,453	-	9,567,453
Total Restricted	4,950,216	316,829	10,194,212	9,567,453	5,112,892	30,141,602
Assigned						
Text Books	1,000,000	-	-	-	-	1,000,000
Deferred maintenance program	145,151	-	-	-	-	145,151
Capital Projects	-	-	-	-	988,394	988,394
Other assignments	6,185,490	-	-	-	-	6,185,490
Total Assigned	7,330,641	-	-	-	988,394	8,319,035
Unassigned						
Reserve for economic uncertainties	6,569,330	-	-	-	-	6,569,330
Total	$ 18,867,305	$ 316,829	$ 10,194,212	$ 9,567,453	$ 6,327,225	$ 45,273,024

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Plan is a single-employer defined benefit healthcare plan administered by the Alvord Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 140 retirees and beneficiaries currently receiving benefits and 1,595 active employees eligible for these benefits in a future period.

Contribution Information

The contribution requirements for Plan members and the District are established and may be amended by the District and the Alvord Teachers Associations and CSEA. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $860,026 to the Plan, all of which was used for current premiums.

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:

Annual required contribution	$ 2,226,358
Interest on net OPEB obligation	449,260
Adjustment to annual required contribution	(715,533)
Annual OPEB cost	1,960,085
Contributions made	(860,026)
Increase in net OPEB obligation	1,100,059
Net OPEB obligation, beginning of year	9,983,566
Net OPEB obligation, end of year	$ 11,083,625

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 2,045,037	$ 1,110,105	54.28%	$ 9,292,412
2016	1,978,519	1,287,365	65.07%	9,983,566
2017	1,960,085	860,026	43.88%	11,083,625

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2016	$ -	$ 31,096,621	$ 31,096,621	0.00%	$ 132,010,309	23.56%

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 the 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.

In the April 1, 2016, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates reflected an ultimate rate of 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2017, was 21 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2017, the District contracted with Southern California Regional Liability Excess Fund (SoCal ReLiEF) risk management pool for property and liability insurance coverage. The District's member retention limit was $50,000 and $5,000, respective for liability and property claims.

Workers' Compensation

For the fiscal year of 2016-2017, the District was self-funded for its workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. The District's self-insured retention limit for the 2016-2017 fiscal years was $750,000. Excess liability coverage for workers' compensation claims is provided through Star Insurance Company, a commercial insurance carrier.

Employee Medical Benefits

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

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The fund 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 represents the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Workers' Compensation
Liability Balance, July 1, 2015	$ 5,430,000
Claims and changes in estimates	2,976,102
Claims payments	(1,356,102)
Liability Balance, June 30, 2016	7,050,000
Claims and changes in estimates	113,578
Claims payments	(1,184,578)
Liability Balance, June 30, 2017	$ 5,979,000
Assets available to pay claims at June 30, 2017	$ 5,463,904

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 164,913,328	$ 40,295,781	$ 4,022,873	$ 19,188,308
CalPERS	39,309,748	13,626,636	1,375,258	5,789,865
Total	$ 204,223,076	$ 53,922,417	$ 5,398,131	$ 24,978,173

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $13,109,967.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 164,913,328
State's proportionate share of the net pension liability associated with the District	93,882,216
Total	$ 258,795,544

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.2039 percent and 0.2027 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2017, the District recognized pension expense of $19,188,308. In addition, the District recognized pension expense and revenue of $9,074,704 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 13,109,967	$ -
Net change in proportionate share of net pension liability	14,075,284	-
Difference between projected and actual earnings on pension plan investments	13,110,530	-
Differences between expected and actual experience in the measurement of the total pension liability	-	4,022,873
Total	$ 40,295,781	$ 4,022,873

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 286,028
2019	286,029
2020	7,621,197
2021	4,917,276
Total	$ 13,110,530

The deferred outflows/ (inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 2,055,811
2019	2,055,811
2020	2,055,811
2021	2,055,811
2022	2,055,806
Thereafter	(226,639)
Total	$ 10,052,411

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's Fiduciary Net Position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 237,347,472
Current discount rate (7.60%)	164,913,328
1% increase (8.60%)	104,753,739

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation,. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $4,349,867.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $39,309,748. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.1990 percent and 0.2007 percent, resulting in a net decrease in the proportionate share of 0.0017 percent.

For the year ended June 30, 2017, the District recognized pension expense of $5.789.865. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,349,867	$ -
Net change in proportionate share of net pension liability	1,486,464	194,235
Difference between projected and actual earnings on pension plan investments	6,099,609	-
Differences between expected and actual experience in the measurement of the total pension liability	1,690,696	-
Changes of assumptions	-	1,181,023
Total	$ 13,626,636	$ 1,375,258

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 855,550
2019	855,551
2020	2,796,563
2021	1,591,945
Total	$ 6,099,609

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 876,149
2019	802,257
2020	123,496
Total	$ 1,801,902

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool Fiduciary Net Position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 58,650,362
Current discount rate (7.65%)	39,309,748
1% increase (8.65%)	23,204,880

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $8,013,996 (8.681 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule.*

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into an operating lease for its District Office building with lease terms in excess of one year. The agreement contains a purchase option, but it does not meet the definition of a capital lease. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to lessor, but it is unlikely that the District will cancel the agreement prior to the expiration date. Future minimum lease payments under this agreement are as follows:

Year Ending June 30,	Lease Payment
2018	$ 1,584,461
2019	1,584,461
2020	1,584,461
2021	1,584,461
2022	1,584,461
2023-2024	3,829,113
Total	$ 11,751,418

Construction Commitments

As of June 30, 2017, the district had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Wells Middle School	$ 921,071	December 1, 2017
Twinhill Elementary School	793,205	October 1, 2017
Norte Vista High School	198,617	September 1, 2017
Collete Elementary School	561,819	September 1, 2017
Orrenmaa Elementary School	585,879	September 1, 2017
Arizona Middle School	2,114,726	April 1, 2018
Foothill Elementary School	1,672,236	April 1, 2018
McAuliffe Elementary School	1,142,153	November 1, 2017
	$ 7,989,706	

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Southern California Regional Liability Excess Fund (SoCal ReLiEF), Self-Insured Schools of California (SISC), Riverside County Employer/Employee Partnership for Benefits (REEP) public entity risk pools. The District pays an annual premium to SoCal ReLiEF for property and liability coverage. Payments for health benefits are paid to SISC and REEP. The relationship between the District and the pools is such that it is not a component unit of the District for financial reporting purposes.

During the year ended June 30, 2017, the District made payments of $671,655, $6,253,296, and $2,078,095 to SoCal ReLiEF, SISC, and REEP for the services and coverage noted.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

ALVORD UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 182,544,704	$ 182,542,963	$ 182,230,158	$ (312,805)
Federal sources	10,308,021	11,534,817	10,850,968	(683,849)
Other State sources	22,071,707	23,104,047	23,972,834	868,787
Other local sources	3,785,539	4,603,184	6,305,972	1,702,788
Total Revenues [1]	218,709,971	221,785,011	223,359,932	1,574,921
EXPENDITURES				
Current				
Certificated salaries	106,901,925	106,942,743	106,253,290	689,453
Classified salaries	27,063,353	26,367,109	26,866,544	(499,435)
Employee benefits	53,976,944	53,265,567	54,916,043	(1,650,476)
Books and supplies	8,468,077	10,127,028	6,213,597	3,913,431
Services and operating expenditures	20,178,190	23,102,623	22,200,640	901,983
Capital outlay	-	88,671	472,685	(384,014)
Other outgo	388,073	(106,179)	(258,500)	152,321
Debt service - principal	1,551,142	807,953	1,189,016	(381,063)
Debt service - interest	-	93,189	259,920	(166,731)
Total Expenditures [1]	218,527,704	220,688,704	218,113,235	2,575,469
Excess of Revenues Over Expenditures	182,267	1,096,307	5,246,697	4,150,390
Other Financing Uses				
Transfers out	(1,000,000)	(1,400,000)	(803,698)	596,302
NET CHANGE IN FUND BALANCES	(817,733)	(303,693)	4,442,999	4,746,692
Fund Balance - Beginning	14,424,306	14,424,306	14,424,306	-
Fund Balance - Ending	$ 13,606,573	$ 14,120,613	$ 18,867,305	$ 4,746,692

[1] On behalf payments of $8,013,996 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures however are not included in the original and final General Fund budgets.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	$ -	$ 21,859,477	$ 21,859,477	0.00%	$ 84,262,000	25.94%
April 1, 2014	-	18,727,840	18,727,840	0.00%	100,651,591	18.61%
April 1, 2016	-	31,096,621	31,096,621	0.00%	132,010,309	23.56%

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.2039%	0.2027%	0.1771%
District's proportionate share of the net pension liability	$ 164,913,328	$ 136,472,756	$ 103,490,342
State's proportionate share of the net pension liability associated with the District	93,882,216	72,179,043	62,491,937
Total	$ 258,795,544	$ 208,651,799	$ 165,982,279
District's covered - employee payroll	$ 105,567,586	$ 94,087,387	$ 81,588,014
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	156.22%	145.05%	126.85%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1990%	0.2007%	0.1807%
District's proportionate share of the net pension liability	$ 39,309,748	$ 29,589,636	$ 20,518,289
District's covered - employee payroll	$ 23,988,203	$ 22,225,990	$ 19,063,577
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	163.87%	133.13%	107.63%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 13,109,967	$ 11,327,402	$ 8,354,960
Contributions in relation to the contractually required contribution	(13,109,967)	(11,327,402)	(8,354,960)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 104,212,774	$ 105,567,586	$ 94,087,387
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 4,349,867	$ 2,842,602	$ 2,615,999
Contributions in relation to the contractually required contribution	(4,349,867)	(2,842,602)	(2,615,999)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 31,321,047	$ 23,988,203	$ 22,225,990
Contributions as a percentage of covered - employee payroll	13.89%	11.85%	11.77%

Note: In the future, as data become available, ten years of information will be presented.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
Carl D. Perkins Vocational and Technical Education: Secondary, Section 13	84.048	14894	$ 179,694
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	5,173,471
Title I, Part G - Advance Placement Program	84.330	14831	76,962
Title II, Part A - Improving Teacher Quality	84.367	14341	678,460
English Language Acquisition State Grants			
Title III, Part A - Limited English Proficiency	84.365	14346	36,445
Title III - Immigrant Education Program	84.365	15146	734,359
Subtotal English Language Acquisition Grants			770,804
Passed through Riverside County SELPA			
Special Education (IDEA) Cluster			
Preschool Grants, Part B, Sec 619	84.173	13430	58,413
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,966,953
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	220,561
Mental Health Allocation Plan, Part B, Sec 611	84.027	15197	158,309
Preschool Staff Development, Part B, Sec 611	84.173A	13431	598
Subtotal Special Education (IDEA) Cluster			3,404,834
Total U.S. Department of Education			10,284,225
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Assistance Program			
Medi-Cal Billing Option	93.778	10013	383,766
Passed through County of Riverside			
Medi-Cal Administrative Activities	93.778	10060	110,639
Subtotal Medi-Cal Assistance Program			494,405
Total U.S. Department of Health and Human Services			494,405

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017, Continued

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Especially Needy Breakfast Program	10.553	13390	$ 1,490,856
Meal Supplements - Snacks	10.555	13755	239,959
National School Lunch Program	10.555	13396	6,368,476
Commodities	10.555	13396	686,172
Summer Food Service Program Operations	10.559	13004	241,156
Subtotal Child Nutrition Cluster			9,026,619
Child and Adult Care Food Program	10.558	13666	554,130
Fresh Fruit and Vegetable Program	10.582	14968	27,386
Passed through the City of Riverside			
Supplemental Nutrition Assistance Program (NEOP Grant)	10.551	14-044	81,493
Total U.S. Department of Agriculture			9,689,628
Total Federal Programs			$ 20,468,258

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The Alvord Unified School District was unified on July 1, 1960 under the laws of the State of California. 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 and/or Federal agencies. The District operates twelve elementary schools, four middle schools, three comprehensive high schools, and one continuation school.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Art Kaspereen	President	2017
Julie Moreno	Vice President	2017
Robert Schwandt	Clerk	2017
Carolyn Wilson	Member	2019
Joseph Barragan	Member	2019

ADMINISTRATION

NAME	TITLE
Sid Salazar	Superintendent
Virginia Eves	Assistant Superintendent, Instructional Support Services
Susana Lopez	Assistant Superintendent, Business Services
Daren McDuffie	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,609.33	5,639.82
Fourth through sixth	4,114.35	4,113.47
Seventh and eighth	2,855.68	2,853.19
Ninth through twelfth	5,691.08	5,672.54
Total Regular ADA	18,270.44	18,279.02
Extended Year Special Education		
Transitional kindergarten through third	2.87	2.87
Fourth through sixth	2.54	2.54
Seventh and eighth	0.98	0.98
Ninth through twelfth	2.76	2.76
Total Extended Year Special Education	9.15	9.15
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.81	1.47
Fourth through sixth	1.89	2.50
Seventh and eighth	3.56	4.06
Ninth through twelfth	17.02	17.07
Total Special Education, Nonpublic, Nonsectarian Schools	23.28	25.10
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.33	0.33
Seventh and eighth	0.39	0.39
Ninth through twelfth	1.16	1.16
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.88	1.88
Total ADA	18,304.75	18,315.15

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	37,800	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		53,220	180	-	Complied
Grade 2		53,220	180	-	Complied
Grade 3		53,220	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		55,275	180	-	Complied
Grade 5		55,275	180	-	Complied
Grade 6		61,785	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		61,785	180	-	Complied
Grade 8		61,785	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,403	180	-	Complied
Grade 10		65,403	180	-	Complied
Grade 11		65,403	180	-	Complied
Grade 12		65,403	180	-	Complied

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND[4]				
Revenues	$ 222,886,009	$ 223,354,385	$ 215,481,281	$ 179,181,447
Other sources and transfers in	-	-	-	7,981,849
Total Revenues and Other Sources	222,886,009	223,354,385	215,481,281	187,163,296
Expenditures	222,067,648	217,288,405	208,510,103	190,657,719
Other uses and transfers out	1,200,000	1,689,248	3,014,710	1,971,072
Total Expenditures and Other Uses	223,267,648	218,977,653	211,524,813	192,628,791
INCREASE (DECREASE) IN FUND BALANCE	$ (381,639)	$ 4,376,732	$ 3,956,468	$ (5,465,495)
ENDING FUND BALANCE	$ 18,340,515	$ 18,722,154	$ 14,345,422	$ 10,388,954
AVAILABLE RESERVES[2]	$ 6,698,029	$ 6,569,330	$ 6,171,327	$ 5,427,269
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	3.00%	3.00%	3.00%	3.00%
LONG-TERM OBLIGATIONS	NA	$285,248,356	$ 286,611,253	$ 282,990,345
K-12 AVERAGE DAILY ATTENDANCE AT P-2 *	18,268	18,305	18,541	18,580

The General Fund balance has increased by $8,333,200 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $381,639 (2.0 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $2,258,011 over the past two years.

Average daily attendance has decreased by 275 over the past two years. Additional decline of 37 ADA is anticipated during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] On behalf payments of $5,813,921 and $4,098,278 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, and 2015.

[4] General Fund amounts do not include activity related to the consolidation of the Fund 14, the Deferred Maintenance Fund for the year ended June 30, 2017 and 2016. For the year ended June 30, 2016 and 2015, the General Fund does not include activities related to Fund 11, Adult Education Fund, and Fund 14, Deferred Maintenance Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

ALVORD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 207,663	$ 1,937,814	$ 630,034
Receivables	482	1,432,624	1,534
Due from other funds	-	-	-
Stores inventories	-	222,297	-
Total Assets	$ 208,145	$ 3,592,735	$ 631,568
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,924	$ 96,133	$ 33,839
Due to other funds	3,307	127,329	113,947
Total Liabilities	5,231	223,462	147,786
Fund Balances:			
Nonspendable	-	225,939	-
Restricted	202,914	3,143,334	483,782
Assigned	-	-	-
Total Fund Balances	202,914	3,369,273	483,782
Total Liabilities and Fund Balances	$ 208,145	$ 3,592,735	$ 631,568

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects		Capital Project Fund for Blended Component Units		Debt Service Fund for Blended Component Units		Non Major Governmental Funds	
$	920,091	$	1,282,862	$	-	$	4,978,464
	2,827		-		-		1,437,467
	70,000		-		-		70,000
	-		-		-		222,297
$	992,918	$	1,282,862	$	-	$	6,708,228
$	4,524	$	-	$	-	$	136,420
	-		-		-		244,583
	4,524		-		-		381,003
	-		-		-		225,939
	-		1,282,862		-		5,112,892
	988,394		-		-		988,394
	988,394		1,282,862		-		6,327,225
$	992,918	$	1,282,862	$	-	$	6,708,228

ALVORD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	$ -	$ 9,964,919	$ -
Other State sources	343,420	612,468	-
Other local sources	66,484	814,607	421,622
Total Revenues	409,904	11,391,994	421,622
EXPENDITURES			
Current			
Instruction	171,627	-	-
Instruction-related activities:			
Supervision of instruction	3,595	-	-
School site administration	34,477	-	-
Pupil services:			
Food services	-	11,036,770	-
All other pupil services	12,382	-	-
Administration:			
All other administration	11,299	495,880	304,491
Plant services	14,084	101,015	7,194
Facility acquisition and construction	-	-	74,171
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	247,464	11,633,665	385,856
Excess (Deficiency) of Revenues Over Expenditures	162,440	(241,671)	35,766
Other Financing Sources			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	162,440	(241,671)	35,766
Fund Balance - Beginning	40,474	3,610,944	448,016
Fund Balance - Ending	$ 202,914	$ 3,369,273	$ 483,782

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Non Major Governmental Funds
$ -	$ -	$ -	$ 9,964,919
-	-	-	955,888
13,974	282,208	32,884	1,631,779
13,974	282,208	32,884	12,552,586
-	-	-	171,627
-	-	-	3,595
-	-	-	34,477
-	-	-	11,036,770
-	-	-	12,382
-	-	-	811,670
950,676	-	-	1,072,969
1,172,958	-	-	1,247,129
3,282	-	2,027,061	2,030,343
-	333	160	493
2,126,916	333	2,027,221	16,421,455
(2,112,942)	281,875	(1,994,337)	(3,868,869)
70,000	-	114,450	184,450
(2,042,942)	281,875	(1,879,887)	(3,684,419)
3,031,336	1,000,987	1,879,887	10,011,644
$ 988,394	$ 1,282,862	$ -	$ 6,327,225

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Child and Adult Care Food Program funds have been recorded in the current period as revenues that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted ending balances within the Cafeteria Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 20,815,887
Medi-Cal Billing Option	93.778	(72,338)
Child and Adult Care Food Program	10.558	(275,291)
Total Schedule of Expenditures of Federal Awards		$ 20,468,258

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-1987 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORTS

This page left blank intentionally.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

Governing Board
Alvord Unified School District
Corona, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alvord Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Alvord Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Cost as item 2017-001 that we consider a significant deficiency.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alvord Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Alvord Unified School District in a separate letter dated December 13, 2017.

Alvord Unified School District's Response to Finding

Alvord Unified School District's response to the finding identified in our audit report is described in the accompanying Schedule of Findings and Questioned Costs. Alvord Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Alvord Unified School District
Corona, California

Report on Compliance for Each Major Federal Program

We have audited Alvord Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alvord Unified School District's (the District) major Federal programs for the year ended June 30, 2017. Alvord Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alvord Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Alvord Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Opinion on Each Major Federal Program

In our opinion, Alvord Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Alvord Unified School District
Corona, California

Report on State Compliance

We have audited Alvord Unified School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Alvord Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Alvord Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Alvord Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Alvord Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Alvord Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

In connection with the audit referred to above, we selected and tested transactions and records to determine the Alvord Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study because attendance for the program was below the materiality threshold required for testing.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not operate Middle or Early College High Schools; therefore, we did not perform procedures related to the Middle or Early College High School.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not offer a Course-Based Independent Study Program; therefore, we did not perform any procedures related to the Course-Based Independent Study Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

This page left blank intentionally.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

ALVORD UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Program Cluster
84.365	English Language Acquisition State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

Payroll & Human Resources Deficiencies

2017-001 Code

Criteria or Specific Requirements

All information pertaining to the District's payroll expenditures should be captured accurately and reported accurately. All adjustments to payroll, including sick days, vacations, leave of absences, and terminations should be taken into account in a timely manner to provide the District's Payroll Department with sufficient information to make necessary adjustments to payroll.

Condition

Sites & Departments are given cutoff dates to modify employee attendance records in the AESOP system, but modifications appear to be made beyond the cutoff dates which impairs the payroll departments ability to properly adjust payroll within the same payroll cycle, as necessary.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through the course of our review of the District's employee attendance monitoring procedures; review of payroll records, and through inquiry with the District's Payroll Department personnel.

Effect

Given the observed deficiency, the District is operating in an environment that is currently subject to over/underpayment of employee compensation. Additionally, there is a certain level of risk associated with the District's payroll expenditures reported on the District's financial statements.

Cause

Changes to employment status triggered by retirements, terminations, and other changes appear to be ineffectively communicated to the District's Payroll Department. It appears that the District's sites and other Departments are not routing the necessary information in a timely manner to the District's Human Resources Department.

Recommendation

The District should reevaluate its personnel and payroll procedures and strengthen its procedures that are conducive to stronger internal controls. Since the District has invested in the AESOP system, the District should strongly consider incorporating the AESOP system to develop stronger procedures over employee attendance monitoring, specifically, the AESOP system should be properly utilized to reduce the delay in attendance reporting that would trigger erroneous payroll processing. Once procedures have been created, sufficient training should be provided to all impacted District personnel to facilitate smooth transition of new procedures. Lastly, all adopted procedures and policies over payroll and personnel activities should be written to serve as reference for all District employees. Adherence to written policies should be strictly reinforced by the District's management.

Corrective Action Plan

In order to address the modification of employee attendance records occurring after the established cutoff dates, the district has established a leaves tracking position in Fiscal Services which will be used in part to refine the timelines and processes to enter and audit attendance records and ensure site and department compliance and minimize the need of corrections after the cutoff dates. In addition, the district will refine its practices with respect to the recording of employee absence data to ensure that an appropriate audit trail is maintained when revisions are required

ALVORD UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

ALVORD UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

Human Resources & Payroll Deficiencies

2016-001 30000

Criteria or Specific Requirements

All information pertaining to the District's payroll expenditures should be captured accurately and reported accurately. All adjustments to payroll, including sick days, vacations, leave of absences, and terminations should be taken into account in a timely manner to provide the District's Payroll Department with sufficient information to make necessary adjustment to payroll.

Condition

1) Sites and Departments are given cutoff dates to modify employee attendance records in the AESOP system, but modifications appear to be made beyond the cutoff dates which impairs the payroll departments ability to properly adjust payroll within the same payroll cycle, as necessary.
2) The District's payroll department is reviewing the information in the AESOP system shortly after payroll has been processed. This business practice does not allow the District to capture any payroll adjustments within the correct payroll period.
3) There appears to be a lack of timely communication between the Payroll and Human Resources Departments. Specifically, key information concerning terminations, resignations, and other events that would trigger the Payroll Department to cease the processing of payroll are not conveyed in a timely manner by the District Human Resources Department.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through the course of our review of the District's employee attendance monitoring procedures; review of payroll records, and through inquiry with the District's Payroll Department personnel.

Effect

Given the observed deficiency, the District is operating in an environment that is currently subject to over/underpayment of employee compensation. Additionally, there is a certain level of risk associated with the District's payroll expenditures reported on the District's financial statements.

Cause

The deficiency appears to be triggered by the lack of procedural review in conjunction with the lack of written policy to use as reference. Additionally, changes to employment status triggered by retirements, terminations, and other changes appear to be ineffectively communicated to the District's Payroll Department. It appears that the District's Human Resources Department, in conjunction with sites and other Departments are not routing the necessary information in a timely manner to the District's Payroll Department.

Recommendation

The District should reevaluate its personnel and payroll procedures and strengthen its procedures that are conducive to stronger internal controls. Since the District has invested in the AESOP system, the District should strongly consider incorporating the AESOP system to develop stronger procedures over employee attendance monitoring, specifically, the AESOP system should be properly utilized to reduce the delay in attendance reporting that would trigger erroneous payroll processing. Once procedures have been created, sufficient training should be provided to all impacted District personnel to facilitate smooth transition of new procedures. Lastly, all adopted procedures and policies over payroll and personnel activities should be written to serve as reference for all District employees. Adherence to written policies should be strictly reinforced by the District's management.

Current Status

Partially implemented. See current year finding 2017-001.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

State Awards Findings

2016-002 40000

Criteria or Specific Requirements

According to the California *Education Code* Section 8482.4(c), a district that receives state funding for an after school program must report attendance to the California Department of Education (CDE) semiannually. Such reporting must be supported by attendance records supporting student participation.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains sign out sheets for students in order to track attendance. The auditor selected two of the sixteen schools operating the program (Stokoe Elementary and Wells Elementary) and recomputed the attendance as indicated on the sign out sheets to determine if total attendance for the month of December 2015 agrees with the amount reported on the semi-annual report. Auditor counted each student on the sign out sheet that was signed out on or after 6:00 pm or student who left early had an early release form on the file and didn't count any student who left before 6:00 pm who didn't have an early release form. Per the auditor's recount, Stokoe Elementary School was reported to have 1,040 students for the month of December 2015, but auditor's count per criteria described above resulted in 1,013 students, resulting in 27 differences.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears to be overstated by 27 for Stokoe Elementary for the month of December 2015.

Context

The condition identified resulted from our review of Stokoe Elementary and Wells Elementary attendance records and monthly attendance summary totals for the month of December 2015. Auditor selected two out of sixteen schools for the first semi-annual reporting period dated July to December 2015. Auditor reviewed manual sign out rosters for the month of December 2015, and reviewed monthly summaries nothing multiple exceptions as noted above.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8482.4(c) for the 2015-2016 fiscal year since the number of students served as reported to the CDE is overstated when compared to supporting records.

Cause

The attendance condition appears to have resulted from inconsistent procedures utilized to track student attendance. Furthermore, inadequate training appears to have been provided to substitute personnel responsible for completeness and accuracy of attendance reporting.

Recommendation

For accurate attendance reporting, the District should review procedures used to report the number of students served to the CDE to methods are consistent to allow for accurate reporting. Procedures for attendance should include an independent review of the sign out sheets, early release forms, monthly summaries, and semi-annual reports prior to submitting them to the CDE. Additionally, substitute employees responsible for record keeping should be adequately trained to ensure consistency of information reported.

Current Status

Implemented.

This page left blank intentionally.

Governing Board
Alvord Unified School District
Corona, California

In planning and performing our audit of the financial statements of Alvord Unified School District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 13, 2017, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Local Control Funding Formula (LCFF) Year-End Accrual

Observation

Based on our review of the District's LCFF worksheet, it appears that the District erroneously used incorrect ADA which resulted in the overstatement of LCFF and Education Protection Act (EPA) revenues by approximately $701,190. Specific error appears to have materialized due to the District's inclusion of charter school ADA as part of the District's overall LCFF revenue calculation.

Recommendation

While the identified error did not trigger an audit adjustment, errors in year-end LCFF accruals generally results in materiality misstatements. As a result, the District should carefully review its LCFF worksheet in order to prevent such errors from occurring the in the future. If possible, we recommend the District to perform a secondary review of the worksheet to ensure that worksheets are free of obvious errors such as the inclusion of charter school ADA that should be excluded.

Capital Assets Deletions

Observation

The District does not appear to have adequate procedures to monitor, track, and update capital assets deletions. Specifically, the District does not appear to be performing periodic inventory of its capital assets that are in the equipment category. As a result, there is a risk of the District's capital assets and related accumulated depreciation being overstated.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Recommendation

The District should implement a periodic capital assets inventory process. At a minimum, the District should perform this task annually to ensure that all equipment dispositions have been properly accounted for as of fiscal year-end. This information must be communicated to the District's Business Services Department in order for the capital assets records to be updated.

Other Postemployment Benefits (OPEB) Accounting

Observation

During the current year, it appears that the District has restructured its OPEB accounting to pool the cash necessary in its Fund 68 to process all pay-as-you-go retiree benefits payments. While the cash was being pooled in Fund 68, it appears that the actual payment for the retiree benefits invoices were being charged to the account codes where the cash originated from instead of the payments being processed out of Fund 68. It appears that the error originated from the District utilizing the Galaxy system's benefits module instead of utilizing a regular purchase order to process the payments.

Recommendation

If the District elects to utilize Fund 68 to pool the cash to pay retiree benefits, we recommend the District to process retiree benefits payments using purchase orders only. By continuing to use the benefits module in the Galaxy system to pay retiree benefits while also pooling the cash in Fund 68, the District effectively incurs the same costs twice at the fund level. Alternatively, the District can elect to stop utilizing Fund 68 to pool the cash necessary to pay its retiree benefits and process retiree benefits using the Galaxy system's benefits module.

Workers' Compensation Self-Insurance Funding Deficiency

Observation

Based on our review of the District's self-insured workers' compensation activities recorded in Fund 67, we noted that the District's projected claims liability per the most recent actuarial study was identified as $5,979,000. However, Fund 67 only had $5,463,904 in assets available to pay the claims as of June 30, 2017. The District had a deficiency of $515,096.

Recommendation

In order to sufficiently fund the projected claims liability the District should have adequate assets in its Fund 67. To make up for the deficiency, the District can choose to make a contribution from General Fund or increase the future workers' compensation rate charged to every $100 of payroll to sufficiently cover current year's expected claims while making up prior year's deficiency. We also recommend the District to follow actuarial funding guidelines what workers' compensation rates are established in the payroll system. This would prevent the District from experiencing a funding deficiency.

Governing Board
Alvord Unified School District

Self-Insurance Revolving Account

Observation

The District uses a revolving account in connection with its self-insured workers' compensation activities. The revolving account was created to facilitate the administration of claims handling process by a third party administrator. Based on our review of this revolving account, it appears that the District has not accurately reported this revolving account balance. Consequently, the District has overstated its assets in the Self-Insurance Fund by approximately $42,030 as of June 30, 2017.

Recommendation

Although the District would never directly use the revolving account to pay its own workers' compensation claims, the account is still considered an asset to the District. The District should accurately report this balance on its financial statement in order to ensure the completeness and accuracy of its assets shown in the Self Insurance Fund. Furthermore, any other revolving accounts with a similar usage mechanism should be reported on the District's financial statements.

Cafeteria Fund Stores Balances

Observation

Based on our review of the final stores valuation report provided by the District, we noted that the valuation reported indicated a value of $243,459 in comparison to the balance of $222,297 reported on the Unaudited Actuals as of June 30, 2017. Based on observed circumstances, it appears that the discrepancy was triggered by the lack of communication between the District's Child Nutrition Services Department and the District's Business Services Department.

Recommendation

Final stores inventory should be taken near the end of the fiscal year to properly account for remaining goods held by the District. During the final inventory process, the District should close its stores activities so that variance in the inventory is eliminated. Additionally, amounts reported as the District's ending stores balances should be delayed until final inventory process has been completed and an adjustment to stores balances have been posted. During the final inventory process, there should be a clear and open communication between the District's accounting function and the Child Nutrition Services Department.

Cash Clearing

Observation

Based on our review of the District's clearing account activities, we noted delays in deposit transmissions ranging from 11 to 58 days from sites. Moreover, we noted instances of delays representing approximately 63% of sample deposit transmittals selected for review.

Recommendation

At a minimum, we recommend the sites to transmit all of its revenue collections at least once per week. The sites should consider increasing the frequency deposit transmission during periods of high volume. Frequent transmittal of revenues collections (checks and cash) would decrease the likelihood of theft, misappropriation, and other loss of assets from taking place.

ASSOCIATED STUDENT BODY (ASB)

Norte Vista High School

Observation

It has been identified that currently the associated student body has received grants and the funds have been deposited into the associated student body account. This presents a compliance risk as there is a lack of compliance oversight over the funds.

Recommendation

Funds related to the grant should be immediately deposited at the District level. This will ensure that their sufficient oversight to ensure that the district is in compliance with the regulations set over the program.

Wells Middle School

Observation

During testing over cash deposits the following deficiencies were noted:

- Four out of twenty cash deposits lacked supporting documentation which resulted in the auditor not being able to conclude the accuracy and completeness of the deposit.
- Five of twenty cash deposits were not receipted by the ASB Bookkeeper.
- Five of twenty deposits tested were not deposited in a timely manner. Deposits ranged from eleven to eighteen days from initial receipt.
- During inquiry with the ASB Bookkeeper regarding receipting procedures, it was noted that a dual count is not taking place when she receipts money.
- One of twenty cash deposits was short by one hundred dollars with no explanation as to what caused the variance.

Recommendation

- ASB Bookkeeper should require supporting documentation for all money she receipts. Supporting documentation is essential to reasonably verify the completeness and accuracy of the deposit.
- ASB Bookkeeper should perform a dual count with the advisor and reconcile their count to the advisors supporting documentation. If the reconciliation results in a variance the advisor should investigate the variance and document the cause in writing. If no variance is noted or the variance has been resolved the ASB Bookkeeper should issue a receipt from Tracks system.
- To ensure the safe keeping of monies, the ASB Bookkeeper should perform a deposit at least once a week.
- When performing monthly bank reconciliations, all overages and shortages should be investigated. Once the cause of the overage/shortage is discovered it should be documented in writing.

Observation

During testing over cash disbursements the following deficiencies were noted:

- The ASB's "Pre-Activity Request Form" does not have a designated area for approvers to document the date they certify the document. This resulted in the auditor not being able to verify that preapprovals took place for eight of eight disbursements.
- Four of eight disbursements lacked receiving documentation.

Recommendation

- It is recommended that the associated student body modify their activity request form so that it has a designated area for approvers to document the date on which they certify the request. This will provide more transparency as to when approvals took place.
- ASB Bookkeeper should at all times request some form of receiving documentation. Receiving documentation could consist of packing slip or a copy of invoice. On the receiving documentation the receiver should initial and indicate that all items have been received in full. This is essential so that the ASB does not pay for incorrect items or incomplete shipments.

Observation

During testing of fundraising events it was noted that advisors are not completing the revenue potential section on the "Pre-Activity Request Forms". Specifically, advisors are not performing an evaluation of actual costs and revenues generated from the event.

Recommendation

Revenue potential forms are vital internal control tools and should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fund raising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due, and so forth. The site administrator should also ensure that the fundraisers are properly approved by the ASB council in the minutes prior to the start of the event.

Hillcrest High School

Observation

The following observations were made during our review of the ASB's cash deposit procedures:

- While testing internal controls over deposits, it was noted that all fourteen deposits tested lacked a portion of the supporting documentation. Such as documentation not indicating the product, quantity and price to ensure deposits are complete and intact.
- Segregation of duties issues were noted with two out of fourteen deposits tested. It was noted that the advisor overseeing the student store performs a close out on his own and in addition prepares his own deposit.
- In addition it was noted that advisors are not consistently performing a close out/dual count with another individual.

Recommendation

- We highly recommend that the ASB Bookkeeper and Assistant Principal over ASB reinforce the importance of supporting documentation for deposits. Proper supporting documentation is essential to ensure the completeness and accuracy of each deposit. In addition it provides transparency regarding monetary transactions.
- We recommend that all advisors perform a close out with another individual present. Both individuals should count the monies and reconcile back to supporting documentation. Once they have finalized their closeout they should initial and date as an indication that both individuals agree with the documentation. All monies should be receipted by the ASB Bookkeeper and reconciled to its supporting documentation in the presence of the depositor. Once ASB Bookkeeper and the depositor agree that the deposit in intact, they should also initial or sign to indicate that they are in agreeance.

Observation

Auditor was unable to verify that fourteen of fourteen disbursements were preapproved due to the PO Request Form not having a designated area for approvers to indicate the date they certify the document. In addition two of fourteen deposits were not preapproved within ASB minutes.

Recommendation

We recommend that the ASB amend their PO request form to allow approvers to indicate the date they approve the disbursement. This will demonstrate that disbursements are following the established approval pathway.

Observation

Auditor was unable to verify that fundraising events were preapproved due to the ASBs Pre-Activity Request form not having a designated area for approvers to indicate the date they certify.

Recommendation

We recommend that the ASB amend their Pre-Activity Request Form to allow approvers to indicate the date they approve the disbursement. This will demonstrate that disbursements are following the established approval pathway.

Observation

During testing of ticketed events it was noted that advisors are not providing explanations for overages and shortages.

Recommendation

When advisors/coaches perform a close out and a variance is noted they should investigate the cause of it. Such practice will ensure that the variance is a result of human error and not a result of unethical behavior.

Observation

The following observations were made during our review of the ASB's student store operation:

- During our review of student store activity it was noted that during the month of October the fund was in the deficit. Upon inquiry with the advisor and the bookkeeper they were unable to provide an explanation. As of January, 2017 it was noted that the student store is no longer in the deficit.
- Student store daily sales forms do not contain enough information to ensure that its deposits are intact and accurate. Daily sales forms consist of total balances for each register only.

Recommendation

- We recommend that the ASB develop a projected revenue evaluation and compare their projected revenue to actual. Such evaluation will help identify if they have properly priced their merchandise as well as identify if unethical behavior is taking place.
- We recommend that the student store advisor develop supporting documentation which will allow for transparency in the day to day activities of the store. Supporting documentation should contain sufficient information to allow third parties to reasonably ensure that the daily sales deposits are intact and accurate.

Observation

ASB is not maintaining perpetual inventory documentation. As a result, they cannot perform a comparison between their perpetual and physical inventory counts. Lack of such comparison and perpetual documentation can allow inventory to be misplaced, lost or stolen.

Governing Board
Alvord Unified School District

Recommendation

We recommend that the ASB begin to maintain perpetual inventory documentation so they have figures to compare to their physical count. Such comparison will allow the ASB to ensure that their inventory is properly stored and that their inventory is fairly stated at year end.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2017

APPENDIX C

GENERAL INFORMATION ABOUT
THE CITY OF CORONA AND THE COUNTY OF RIVERSIDE

*The following information concerning the City of Corona (the "**City**") and Riverside County (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. The Refunding Bonds are not a debt of the City, the County, the State of California (the "**State**") or any of its political subdivisions (other than the District), and none of the City, the County, the State or any of its political subdivisions (other than the District) is liable therefor.*

The City. The City is located in the western portion of the County, approximately 45 miles southeast of Los Angeles along State Route 91 and Interstate 15. The City encompasses an area of 39.3 square miles.

Incorporated in 1896, the City operates as a general law city with a council-manager form of government. The five City Council members are elected at large for staggered four-year terms. The City Council elects one of the City Council members as Mayor. The City provides police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and wastewater service, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation.

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

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

Population

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

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

CITY OF CORONA, COUNTY OF RIVERSIDE, AND STATE OF CALIFORNIA
2014 through 2018 Population Estimates

Year (January 1)	City of Corona	Riverside County	State of California
2014	160,955	2,291,262	38,568,628
2015	162,396	2,317,895	38,912,464
2016	163,341	2,346,717	39,179,627
2017	166,819	2,382,640	39,500,973
2018	168,574	2,415,933	39,809,693

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

[Remainder of page intentionally left blank.]

Employment

The County is a part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "**MSA**"). The unemployment rate in the MSA was 4.1% in March 2018, down from a revised 4.4% in February 2018, and below the year-ago estimate of 5.4%. This compares with an unadjusted unemployment rate of 4.2% for the State and 4.1% percent for the nation during the same period. The unemployment rate was 4.2% in the County and 3.9% in San Bernardino County.

The following table summarizes the civilian labor force, employment and unemployment in the MSA for the calendar years 2013 through 2017. These figures are MSA-wide statistics and may not necessarily accurately reflect employment trends in the City.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA
(Riverside and San Bernardino Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
March 2017 Benchmark

	2013	2014	2015	2016	2017
Civilian Labor Force (1)	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100
Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,918,600
Unemployment	186,300	155,700	128,600	118,300	103,600
Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Wage and Salary Employment: (2)					
Agriculture	14,500	14,400	14,800	14,600	14,400
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,500	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Finance and Insurance	26,200	26,600	26,900	26,700	26,200
Real Estate and Rental and Leasing	15,600	16,300	17,000	17,900	18,200
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Educational and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Federal Government	20,300	20,200	20,300	20,400	20,600
State Government	27,800	28,200	28,700	29,700	30,700
Local Government	177,100	180,400	184,400	192,200	198,600
Total All Industries(3)	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

The following table lists in descending order the top eleven employers within the City:

CITY OF CORONA
Major Employers
(As of June 30, 2017)

Employer Name	No. of Employees
Corona-Norco Unified School District	5,399
Corona Regional Medical Center	1,113
Kaiser Permanente	995
All American Asphalt	840
City of Corona	805
Fender Guitar	650
Monster Energy	607
TWR Framing Enterprises	600
Thermal Structures	500
Veg Fresh Farms	425
CoreMark International	421

Source: City of Corona Comprehensive Audited Financial Statement, fiscal year 2016-17.

The following table lists in descending order the ten employers within the County:

COUNTY OF RIVERSIDE
Major Employers
(As of June 30, 2017)

Employer Name	No. of Employees
County of Riverside	22,538
University of California, Riverside	8,686
March Air Reserve Base	8,500
Amazon	7,500
Kaiser Permanente Riverside Medical Center	5,739
Corona-Norco Unified School District	5,399
Riverside Unified School District	4,236
Pechanga Resort & Casino	4,000
Riverside University Health Systems - Medical Center	3,876
Eisenhower Medical Center	3,665

Source: County of Riverside Comprehensive Annual Financial Report, fiscal year 2016-17.

Effective Buying Income

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

CITY OF CORONA, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA, AND UNITED STATES
Median Household Effective Buying Income
For Calendar Years 2013 through 2017

	2013	2014	2015	2016	2017
City of Corona	$59,001	$59,473	$62,962	$64,527	$67,037
County of Riverside	44,784	45,576	48,674	50,287	54,014
State of California	48,340	50,072	53,589	55,681	59,646
United States	43,715	45,448	46,738	48,043	50,735

Source: The Nielsen Company (US), Inc.

[Remainder of page intentionally left blank.]

Construction Trends

Provided below are the building permits and valuations for the City for calendar years 2012 through 2016. Figures for calendar year 2017 are not yet available.

CITY OF CORONA
Total Building Permit Valuations
(Valuation in Thousands of Dollars)

	2012	2013	2014	2015	2016
Permit Valuation					
New Single-family	$21,202.6	$8,992.4	$7,927.1	$9,009.4	$16,889.5
New Multi-family	0.0	22,692.2	64,550.9	37,113.1	0.0
Res. Alterations/Additions	2,770.6	2,193.2	4,946.9	6,412.2	6,441.7
Total Residential	23,973.2	33,877.8	77,424.9	52,534.7	23,331.2
New Commercial	1,968.1	6,114.4	10,275.7	11,192.8	14,692.8
New Industrial	18,665.9	28,326.2	36,795.6	31,275.2	31,078.3
New Other	0.0	674.2	15,515.3	2,023.1	3,093.5
Com. Alterations/Additions	26,486.9	60,219.2	1,833.2	45,090.2	34,595.9
Total Nonresidential	47,120.9	95,334.0	64,419.8	89,581.3	83,460.5
New Dwelling Units					
Single Family	78	39	30	28	66
Multiple Family	0	237	626	533	0
TOTAL	78	276	656	565	66

Source: Construction Industry Research Board, Building Permit Summary.

Provided below are the building permits and valuations for the County for calendar years 2012 through 2016. Figures for calendar year 2017 are not yet available.

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

	2012	2013	2014	2015	2016
Permit Valuation					
New Single-family	$904,156.2	$1,138,738.1	$1,296,552.8	$1,313,084.2	$1,526,767.8
New Multi-family	87,878.6	138,636.0	178,116.7	110,458.4	106,291.8
Res. Alterations/Additions	87,370.5	98,219.3	147,081.2	113,120.0	126,475.0
Total Residential	1,079,405.3	1,375,593.4	1,621,750.7	1,536,742.6	1,759,534.6
New Commercial	508,192.8	263,837.7	197,674.9	211,785.1	583,023.5
New Industrial	26,432.5	141,184.4	161,321.1	180,521.3	59,439.2
New Other	11,115.5	109,795.2	128,666.9	204,554.1	583,002.7
Com. Alterations/Additions	171,263.2	369,502.4	327,327.1	314,604.2	371,216.4
Total Nonresidential	717,004.0	884,319.7	814,990.0	911,464.7	1,596,681.8
New Dwelling Units					
Single Family	3,720	4,716	5,007	5,007	5,662
Multiple Family	909	1,427	1,931	1,189	1,039
TOTAL	4,629	6,143	6,938	6,196	6,701

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

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

A summary of historic taxable sales within the City during the past five years in which data are available is shown in the following table. Total taxable sales during calendar year 2016 in the City were reported to be $3.4 billion, a 2.3% increase over the total taxable sales of $3.3 billion reported during calendar year 2015. Annual figures for calendar year 2017 are not yet available.

CITY OF CORONA
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	2,617	$1,773,853	4,077	$2,855,833
2013	2,517	1,849,050	4,004	3,111,998
2014	2,558	1,917,343	4,057	3,231,208
2015(1)	2,532	1,922,580	4,416	3,320,557
2016	N/A	1,934,927	N/A	3,396,905

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

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

A summary of historic taxable sales within the County during the past five years in which data are available is shown in the following table. Total taxable sales during calendar year 2016 in the County were reported to be $34.2 billion, a 4.01% increase over the total taxable sales of $32.9 billion reported during calendar year 2015. Annual figures for calendar year 2017 are not yet available.

COUNTY OF RIVERSIDE
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits on August 1	Taxable Transactions	Number of Permits on August 1	Taxable Transactions
2012	34,683	$20,016,668	48,316	$28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015 (1)	18,662	23,281,724	56,846	32,910,910
2016	N/A	24,022,136	N/A	34,231,144

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

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

Agriculture

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

Transportation

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

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

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

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

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

May 24, 2018

Board of Education
Alvord Unified School District
9 KPC Parkway
Corona, California 92879

OPINION: $43,300,000 Alvord Unified School District
(Riverside County, California)
2018 Refunding General Obligation Bonds

Members of the Board of Education:

We have acted as bond counsel to the Alvord Unified School District (the "District") in connection with the issuance by the Board of Education of the District (the "Board") of its $43,300,000 principal amount of Alvord Unified School District (Riverside County, California) 2018 Refunding General Obligation Bonds (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and a resolution of the Board of Education of the District (the "Board") adopted on March 15, 2018 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

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

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

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board in accordance with its terms.

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

thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$43,300,000
ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2018 Refunding General Obligation Bonds

Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Alvord Unified School District (the "District") in connection with the issuance of $43,300,000 aggregate principal amount of Alvord Unified School District School District (Riverside County, California) 2018 Refunding General Obligation Bonds (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Education of the District on March 15, 2018 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2019 with the report for the 2017-18 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

(i) assessed valuation of taxable properties in the District as set forth in the most recently available equalized assessment roll;

(ii) assessed valuation of properties of the top twenty taxpayers as identified in the most recently available equalized assessment roll;

(iii) property tax collection delinquencies for the District for the most recently completed fiscal year if available at the time of filing the Annual Report and only if the District's general obligation bond tax levy is not included in the County of Riverside Teeter Plan; and

(iv) the District's most recently adopted Budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report.

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

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

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

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

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

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

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

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

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

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

(9) Defeasances.

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

(11) Rating changes.

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

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

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

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

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

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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

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

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

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

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

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

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

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

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond 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, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 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.

Date: May 24, 2018

ALVORD UNIFIED SCHOOL DISTRICT

By: ___________________________________

Assistant Superintendent,
Business Services

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Alvord Unified School District
Name of Bond Issue:	$43,300,000 aggregate principal amount of Alvord Unified School District (Riverside County, California) 2018 Refunding General Obligation Bonds
Date of Issuance:	May 24, 2018

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

Dated:____________

DISSEMINATION AGENT

By: ______________________________
Authorized Officer

Cc: Alvord Unified School District

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("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. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

$43,300,000
ALVORD UNIFIED SCHOOL DISTRICT
(Riverside County, California)
2018 Refunding General Obligation Bonds

CERTIFICATE REGARDING RESOLUTION

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Secretary of the Board of Education of the Alvord Unified School District, a unified school district duly organized and existing under the laws of the State of California (the "District") and, as such, I am familiar with the facts herein certified and am authorized to certify the same; and

(ii) attached hereto is a true, correct and complete copy of Resolution No. 30, entitled "Resolution Authorizing the Issuance and Sale of Refunding General Obligation Bonds in the Principal Amount of Not to Exceed $51,000,000 to Refinance Outstanding General Obligation Bonds, 2007 Election, Series A, and Approving Related Documents and Actions," adopted by the Board of Education of the District on March 15, 2018, which resolution was duly adopted and has not been amended, modified, supplemented, rescinded or revoked and remains in full force and effect as of the date hereof.

Dated: May 24, 2018

ALVORD UNIFIED SCHOOL DISTRICT

By: Rich Thome

Rich Thome
Secretary of the Board of Education

Alvord Unified School District
9 KPC Parkway, Corona, CA 92879

RESOLUTION NO. 30

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF REFUNDING GENERAL OBLIGATION BONDS IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED $51,000,000 TO REFINANCE OUSTANDING GENERAL OBLIGATION BONDS, 2007 ELECTION, SERIES A, AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, a special bond election was duly held in the Alvord Unified School District (the "District") on November 6, 2007 authorizing the issuance of general obligation bonds of the District in the aggregate principal amount of $196,000,000, and fifty-five percent or more of the votes cast at said election were in favor of the issuance of said bonds; and

WHEREAS, pursuant to such authority, the District caused the issuance of its General Obligation Bonds, 2007 Election, Series A on May 1, 2008 in the original principal amount of $60,000,000 (the "Series A Bonds"), the proceeds of which were applied to finance voter approved capital improvement projects, including to provide for the prepayment of outstanding 2002 and 2003 Certificates of Participation which financed capital projects in the District; and

WHEREAS, the Series A Bonds are subject to redemption prior to maturity at the option of the District, commencing on August 1, 2018, without premium; and

WHEREAS, due to favorable conditions that exist in the tax-exempt bond market, in order to refund certain maturities of the outstanding Series A Bonds on a current basis and thereby realize financial savings to the property tax payers of the District, the Board of Education of the District has determined at this time to issue and sell its 2018 Refunding General Obligation Bonds in the aggregate principal amount of not to exceed $51,000,000 (the "Refunding Bonds"); and

WHEREAS, the Board of Education of the District is authorized to provide for the issuance and sale of the Refunding Bonds under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"); and

WHEREAS, the Board of Education has been presented with a Debt Management Policy in accordance with Senate Bill 1029 effective January 1, 2017, and issuance of the Refunding Bonds will be in compliance with said Policy;

WHEREAS, further, as required by Government Code Section 5852.1 enacted January 1, 2018 by Senate Bill 450, attached hereto as Appendix B is the information relating to the Refunding Bonds that has been obtained by the Board of Education and is hereby disclosed and made public; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Education of the Alvord Unified School District as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

"Authorized Investments" means any investments permitted by law to be made with moneys belonging to or in the custody of the District.

"Board" means the Board of Education of the District.

"Bond Counsel" means (a) the firm of Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Law" means the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code, as in effect on the date of adoption hereof and as amended hereafter.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the District and the Underwriter, under which the Underwriter agrees to purchase the Refunding Bonds and pay the purchase price therefor.

"Bond Year" means the one-year period beginning on August 1 in each year and ending on the next succeeding July 31; except that the first Bond Year begins on the Closing Date and ends on the next succeeding July 31.

"Closing Date" means the date upon which there is a delivery of the Refunding Bonds in exchange for the amount representing the purchase price of the Refunding Bonds by the Underwriter.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate which is executed and delivered by a District Representative on the Closing Date.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the Refunding Bonds and the refunding of the Series A Bonds, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Refunding Bonds and any other cost, charge or fee in connection with the original issuance of the Refunding Bonds and the refunding of the Series A Bonds.

"County" means the County of Riverside, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

"County Treasurer" means the Treasurer-Tax Collector of the County of Riverside, or any person at any time performing the duties of treasurer of the County of Riverside.

"Debt Service Fund" means the interest and sinking fund established and held by the County Treasurer for the payment of principal of and interest on general obligation bonds of the District under the Education Code.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.09.

"Depository System Participant" means any participant in the Depository's book-entry system.

"District" means the Alvord Unified School District, a unified school district organized under the Constitution and laws of the State of California, and any successor thereto.

"District Representative" means the President of the Board, the Vice President of the Board, the Superintendent, the District's chief fiscal officer, chief administrative officer, or the written designee of such officers, or any other person authorized by resolution of the Board of Education of the District to act on behalf of the District with respect to this Resolution and the Refunding Bonds.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Education Code" means the Education Code of the State of California as in effect on the date of adoption hereof and as amended hereafter.

"Escrow Agent" means U.S. Bank National Association, in its capacity as escrow agent under the Escrow Agreement, and as paying agent for the Series A Bonds.

"Escrow Agreement" means the document governing the deposit of Refunding Bond proceeds into an escrow fund to provide for the payment and redemption of the Series A Bonds.

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

"Financial Advisor" means Dale Scott & Company, Inc.

"Interest Payment Dates" means each February 1 and August 1 on which interest on the Refunding Bonds is due and payable, as such dates are identified in the Bond Purchase Agreement.

"Office" means the office or offices of the Paying Agent for the payment of the Bonds and the administration of its duties hereunder. The Paying Agent may designate and re-designate the Office from time to time by written notice filed with the County and the District.

"Outstanding," when used as of any particular time with reference to Refunding Bonds, means all Refunding Bonds except: (a) Refunding Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Refunding Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Refunding Bonds in lieu of or in substitution for which other Refunding Bonds have been authorized, executed, issued and delivered by the District under this Resolution.

"Owner", whenever used herein with respect to a Refunding Bond, means the person in whose name the ownership of such Refunding Bond is registered on the Registration Books.

"Paying Agent" means any bank, trust company, national banking association or other financial institution appointed as paying agent for the Bonds in the manner provided in Article VI of this Resolution.

"Record Date" means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a business day.

"Refunding Bonds" or "Bonds" means the not to exceed $51,000,000 aggregate principal amount of Alvord Unified School District (Riverside County, California) 2018 Refunding General Obligation Bonds issued and at any time Outstanding under this Resolution.

"Registration Books" means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Refunding Bonds under Section 2.08.

"Resolution" means this Resolution, as originally adopted by the Board and including all amendments hereto and supplements hereof which are duly adopted by the Board from time to time in accordance herewith.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District delivered to the Paying Agent.

"Series A Bonds" means the District's General Obligation Bonds, 2007 Election, Series A Bonds issued on May 1, 2008 in the original principal amount of $60,000,000.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Underwriter" means Stifel, Nicolaus & Company, Incorporated, as purchaser of the Refunding Bonds upon the negotiated sale thereof.

"Written Certificate of the District" or "Written Request of the District" means a certificate, request or other instrument in writing signed by a District Representative.

SECTION 1.02. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. *Authority for this Resolution; Findings.* This Resolution is entered into under the provisions of the Bond Law. The Board hereby certifies that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Refunding Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Refunding Bonds, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California.

ARTICLE II

THE REFUNDING BONDS

SECTION 2.01. *Authorization.* The Board hereby authorizes the issuance of the Refunding Bonds in the principal amount of not to exceed $51,000,000 under and subject to the terms of the Bond Law and this Resolution, for the purpose of providing funds to refinance all or some maturities of the outstanding Series A Bonds. This Resolution constitutes a continuing agreement between the District and the Owners of all of the Outstanding Refunding Bonds to secure the full and final payment of principal thereof and interest and premium thereon, subject to the covenants, agreements, provisions and conditions herein contained. The Refunding Bonds are designated the "Alvord Unified School District (Riverside County, California) 2018 Refunding General Obligation Bonds."

As provided in Section 53552 of the Bond Law, the Refunding Bonds shall not be issued unless the total net interest cost to maturity on the Refunding Bonds plus the principal amount of the Refunding Bonds is less than the total net interest cost to maturity on the Series A Bonds to be refunded plus the principal amount of the Series A Bonds to be refunded. Before issuing the Refunding Bonds, the District shall receive confirmation from its Financial Advisor that the requirements of Section 53552 of the Bond Law have been satisfied.

SECTION 2.02. *Terms of Refunding Bonds*.

(a) Form; Numbering. The Refunding Bonds shall be issued as fully registered Bonds, without coupons, in the denomination of $5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Refunding Bonds maturing in the year of maturity of the Refunding Bond for which the denomination is specified. Refunding Bonds shall be lettered and numbered as the Paying Agent may prescribe.

(b) Date of Refunding Bonds. The Refunding Bonds shall be dated as of the Closing Date.

(c) CUSIP Identification Numbers. "CUSIP" identification numbers shall be imprinted on the Refunding Bonds, but such numbers do not constitute a part of the contract evidenced by the Refunding Bonds and any error or omission with respect thereto will not constitute cause for refusal of any purchaser to accept delivery of and pay for the Refunding Bonds. Any failure by the District to use CUSIP numbers in any notice to Owners of the Refunding Bonds will not constitute an event of default or any violation of the District's contract with the Owners and will not impair the effectiveness of any such notice.

(d) Maturities; Interest. The Refunding Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) on the dates and in the amounts to be determined upon the sale of the Refunding Bonds as set forth in the Bond Purchase Agreement. The final maturity date of the Refunding Bonds shall not exceed the final maturity date of the Series A Bonds to be refunded.

Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the first Record Date, in which event it will bear interest from the dated date of the Refunding Bonds; *provided, however*, that if at the time of authentication of a Refunding Bond, interest is in default thereon, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(e) Payment. Interest on the Refunding Bonds (including the final interest payment upon maturity or redemption) is payable by check, draft or wire of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least $1,000,000 aggregate principal amount of the Refunding Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Refunding Bonds shall be paid on the succeeding Interest Payment Date to such account as shall be specified in such written request. Principal of and premium (if any) on the Refunding Bonds are payable in lawful money of the United

States of America upon presentation and surrender at the Principal Office of the Paying Agent.

(f) Provisions of Bond Purchase Agreement to Control. Notwithstanding the foregoing provisions of this Section and the following provisions of Section 2.03, any of the terms of the Refunding Bonds may be established or modified under the Bond Purchase Agreement. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement relating to the terms of the Refunding Bonds, the provisions of the Bond Purchase Agreement shall be controlling.

SECTION 2.03. *Redemption of Refunding Bonds.*

(a) Optional Redemption Dates and Prices. The Refunding Bonds may be subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, if and to the extent set forth in the Bond Purchase Agreement.

(b) Mandatory Sinking Fund Redemption. If the Bond Purchase Agreement specifies that any one or more maturities of the Refunding Bonds are term bonds which are subject to mandatory sinking fund redemption, each such maturity of Refunding Bonds shall be subject to such mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the Bond Purchase Agreement, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption. If any Term Bonds are redeemed under the optional redemption provisions, the total amount of all future sinking payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000.

(c) Selection of Refunding Bonds for Redemption. Whenever less than all of the Outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond will be deemed to consist of individual bonds of $5,000 denominations each which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Refunding Bonds designated for redemption, at their addresses appearing on the Registration Books. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Refunding Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Refunding Bond Owners.

Such notice may be conditional, and shall state the redemption date and the redemption price and, if less than all of the then Outstanding Refunding Bonds are to be called for redemption, shall designate the serial numbers of the Refunding Bonds to be redeemed by giving the individual number of each Refunding Bond or by stating that all Refunding Bonds between two stated numbers, both inclusive, or by stating that all of the Refunding Bonds of one or more maturities have been called for redemption, and shall require that such Refunding Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

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

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Refunding Bonds so called for redemption have been duly provided, the Refunding Bonds called for redemption will cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice. The Paying Agent will cancel all Refunding Bonds redeemed under this Section 2.03 and will furnish a certificate of cancellation to the District.

(e) Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Bonds under subsection (a) of this Section by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Refunding Bond Owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption to the respective Owners of the Refunding Bonds designated for redemption, at their addresses appearing on the Registration Books, and also to the Securities Depositories and the Municipal Securities Rulemaking Board.

SECTION 2.04. *Form of Refunding Bonds*. The Refunding Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon will be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution and the Bond Purchase Agreement, as are set forth in Appendix A attached hereto.

SECTION 2.05. *Execution of Refunding Bonds*. The Refunding Bonds shall be signed by the facsimile or manual signature of the President of the Board and shall be attested by the facsimile or manual signature of the Secretary of the Board. Only those Refunding Bonds bearing a certificate of authentication and registration in the form set forth in Appendix A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent is conclusive evidence that the Refunding Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. *Transfer of Refunding Bonds.* Any Refunding Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Refunding Bond for cancellation at the Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Refunding Bond issued upon any transfer.

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

SECTION 2.07. *Exchange of Refunding Bonds.* Refunding Bonds may be exchanged at the Office of the Paying Agent for a like aggregate principal amount of Refunding Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Refunding Bond issued upon any exchange (except in the case of any exchange of temporary Refunding Bonds for definitive Refunding Bonds). No exchange of Refunding Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Refunding Bonds for redemption or (b) with respect to a Refunding Bond after it has been selected for redemption.

SECTION 2.08. *Registration Books.* The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Refunding Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as herein before provided.

SECTION 2.09. *Book-Entry System.* Except as provided below, DTC shall be the Owner of all of the Refunding Bonds, and the Refunding Bonds shall be registered in the name of Cede & Co. as nominee for DTC. The Refunding Bonds shall be initially executed and delivered in the form of a single fully registered Refunding Bond for each maturity date of the Refunding Bonds in the full aggregate principal amount of the Refunding Bonds maturing on such date. The Paying Agent and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Refunding Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the District shall be affected by any notice to the contrary. The Paying Agent and the District have no responsibility or obligation to any Depository System Participant, any person claiming a beneficial ownership interest in the Refunding Bonds under or through DTC or a Depository System Participant, or any other person which is not shown on the register of the District as being an owner, with respect to the accuracy of any records maintained by DTC or any Depository System Participant or the payment by DTC or any Depository System Participant by DTC or any Depository System Participant of any amount in respect of the principal or interest with respect to the Refunding Bonds. The District shall cause to be paid all principal and interest with respect to the Refunding Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal and interest with respect to the Refunding Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Refunding Bond. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the District determines that it is in the best interest of the beneficial owners that they be able to obtain Refunding Bonds and delivers a written certificate to DTC and the District to that effect, DTC shall notify the Depository System Participants of the availability through DTC of Refunding Bonds. In such event, the District shall issue, transfer and exchange Refunding Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Refunding Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the District shall be obligated to deliver Refunding Bonds as described in this Resolution. Whenever DTC requests the District to do so, the District will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Refunding Bonds evidencing the Refunding Bonds to any Depository System Participant having Refunding Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Refunding Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Refunding Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Refunding Bond and all notices with respect to such Refunding Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Refunding Bonds.

ARTICLE III

SALE OF REFUNDING BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Sale of Refunding Bonds; Approval of Sale Documents.*

(a) Negotiated Sale of Refunding Bonds. The Board hereby authorizes the negotiated sale of the Refunding Bonds to Stifel, Nicolaus & Company, Incorporated, as Underwriter. The Refunding Bonds shall be sold pursuant to the Bond Purchase Agreement in substantially the form on file with the Clerk of the Board with such changes therein, deletions therefrom and modifications thereto as a District Representative may approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The Refunding Bonds shall only be issued if the savings requirement stated in Section 2.01 herein can be met, as confirmed by the District's Financial Advisor, the final maturity date of the Refunding Bonds does not extend beyond the final maturity date of the Series A Bonds to be refunded, and the Underwriter's discount does not exceed 0.60% of the aggregate principal amount of the Refunding Bonds. The Board hereby authorizes a District Representative to execute and deliver the final form of the Bond Purchase Agreement in the name and on behalf of the District.

In accordance with Section 53583(c)(2)(B) of the Bond Law, within two weeks after the Refunding Bonds are sold, the District will send a statement to the California Debt and Investment Advisory Commission providing the reasons for the negotiated sale, which include: (a) a negotiated sale provides more flexibility to choose the time and date of the sale which is advantageous in a volatile municipal bond market; (b) a negotiated sale will permit the time schedule for the issuance and sale of the Refunding Bonds to be expedited; (c) a negotiated sale provides more flexibility in making any advisable adjustments to the debt structure to manage tax rates; (d) a negotiated sale allows the District to work with participants familiar with the District; and (e) a negotiated sale provides opportunity to sell bonds to local investors and provides time for the Underwriter to educate potential investors about the District and the structure of the Refunding Bonds.

(b) Official Statement. The Board hereby approves, and hereby deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Refunding Bonds in substantially the form on file with the Clerk of the Board. A District Representative is hereby authorized to execute an appropriate certificate stating the Board's determination that the Preliminary Official Statement has been deemed final within the meaning of such Rule. A District Representative is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by a District Representative shall be conclusive evidence of his or her approval of any such changes and additions. The Board hereby authorizes the distribution of the Official Statement by the Underwriter. The final Official Statement shall be executed in the name and on behalf of the District by a District Representative.

(c) Actions to Close Bond Issuance. Each District Representative and any and all other officers of the District are each authorized and directed in the name and on behalf of the District to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants, applications and other documents, including applications and commitments with respect to bond insurance to the extent deemed advisable by the Financial Advisor, and documents, certifications, agreements and representations that maybe requested by the County, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Refunding Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

SECTION 3.02. *Application of Proceeds of Sale of Refunding Bonds.* The proceeds of any series of Refunding Bonds shall be paid by the Underwriter on the Closing Date, as directed by the District, as follows:

(a) The Underwriter shall transfer a portion of the proceeds of such series of Refunding Bonds to U.S. Bank National Association, as custodian (the "Custodian") under the agreement referred to in Section 3.04, to be applied to pay the Costs of Issuance of the Refunding Bonds.

(b) The Underwriter shall transfer the remainder of such proceeds to the Escrow Agent to be held, invested and applied to refund and discharge all or a portion of the outstanding Series A Bonds in accordance with the Escrow Agreement.

In addition, if a municipal bond insurance policy is obtained, the District may direct the Underwriter to pay the premium for such directly to the provider thereof.

SECTION 3.03. *Refunding of Series A Bonds; Approval of Escrow Agreement*. The Series A Bonds shall be refunded in accordance with the provisions of the Escrow Agreement. The Board hereby approves the Escrow Agreement in substantially the form on file with the Secretary of the Board, together with any changes therein or modifications thereof which are approved by a District Representative, and the execution thereof by a District Representative will be conclusive evidence of the approval of any such changes or modifications. A District Representative is directed to authenticate and execute the final form of the Escrow Agreement on behalf of the District, and to deliver the executed Escrow Agreement on the Closing Date.

SECTION 3.04. *Costs of Issuance Custodian Agreement*. The Board hereby approves the Costs of Issuance Custodian Agreement between the District and the Custodian in substantially the form on file with the Secretary of the Board. As provided in said agreement, amounts held thereunder shall be requisitioned by a District Representative for payment of Costs of Issuance in accordance with said agreement. Any amounts held thereunder which are not required for payment of Costs of Issuance shall be transferred to the County Treasurer and deposited into the Debt Service Fund, to be applied to pay interest next coming due and payable on the Refunding Bonds.

SECTION 3.05. *Professional Services*. The Board hereby engages Dale Scott & Company, Inc. to act as the District's financial advisor in connection with the issuance of the Refunding Bonds, the firm of Jones Hall, A Professional Law Corporation, as bond counsel and disclosure counsel in connection with the issuance of the Refunding Bonds, and Stifel, Nicolaus & Company, Incorporated, as Underwriter in connection with the issuance of the Refunding Bonds. Said engagements shall be pursuant to service agreements on file with the Superintendent, and the Superintendent or the District's Chief Business Official is authorized to execute said agreements.

ARTICLE IV

SECURITY FOR THE REFUNDING BONDS; DEBT SERVICE FUND

SECTION 4.01. *Security for the Refunding Bonds*. The Refunding Bonds are general obligations of the District. The Board has the power to direct the County to levy *ad valorem* taxes upon all property within the District that is subject to taxation by the District, without limitation of rate or amount, for the payment of the Refunding Bonds and the interest thereon. The District hereby directs the County to levy on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the Refunding Bonds are Outstanding in an amount sufficient to pay the principal of and interest on the Refunding Bonds when due, including the principal of any Refunding Bonds upon the mandatory sinking fund redemption thereof, which moneys when collected will be paid to the County Treasurer and placed in the Debt Service Fund established pursuant to Section 4.02.

The principal of and interest on Refunding Bonds do not constitute a debt of the County, the State of California, or any of their political subdivisions other than the District, or any of the officers, agents or employees thereof. Neither the County, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof are liable on the Refunding Bonds. In no event are the principal of and interest on Refunding Bonds payable out of any funds or properties of the District other than *ad valorem* taxes levied on taxable property in the District. The Refunding Bonds, including the interest thereon, are payable solely from taxes levied under Sections 15250 and 15252 of the Education Code; provided, however, nothing herein contained prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

As provided in Section 15251 of the Education Code, the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* tax. The lien attaches automatically without further action or authorization by the District and is valid and binding from the time the Refunding Bonds are executed and delivered.

SECTION 4.02. *Establishment of Debt Service Fund.* The District hereby directs the County Treasurer of Riverside County to establish, hold and maintain the Debt Service Fund as a separate fund or account, distinct from all other funds of the County and the District. All taxes levied by the County, as directed by the District herein, for the payment of the principal of and interest and premium (if any) on the Refunding Bonds in accordance with Section 4.01 shall be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy. Amounts in the Debt Service Fund shall be transferred by the County to the Paying Agent to the extent required to pay the principal of and interest and redemption premium (if any) on the Refunding Bonds when due. As provided in Section 15232 of the Education Code, amounts in the Debt Service Fund shall also be applied to pay the expense of paying the Refunding Bonds elsewhere than at the office of the County Treasurer.

SECTION 4.03. *Disbursements From Debt Service Fund.* The County Auditor-Controller shall administer the Debt Service Fund and make disbursements therefrom in the manner set forth in this Section. The County Auditor-Controller shall transfer amounts on deposit in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Refunding Bonds when due and payable, to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal of and interest on the Refunding Bonds. DTC will thereupon make payments of principal and interest on the Refunding Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Refunding Bonds. In addition, amounts on deposit in the Debt Service Fund shall be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code. Any moneys remaining in the Debt Service Fund after the Refunding Bonds and the interest thereon have been paid, shall be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, shall be transferred to the District's general fund upon the order of the County, as provided in Section 15234 of the Education Code.

SECTION 4.04. *Pledge of Taxes.* The District hereby pledges all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of the Refunding Bonds and amounts on deposit in the Debt Service Fund to the payment of the principal or redemption price of and interest on the Refunding Bonds. This pledge shall be valid and binding from the date hereof for the benefit of the owners of the Refunding Bonds and successors thereto. The property taxes and amounts held in the Debt Service Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the interest and sinking fund to secure the payment of the Refunding Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. This pledge constitutes an agreement between the District and owners of the Refunding Bonds to provide security for the Refunding Bonds in addition to any statutory lien that may exist. The District hereby represents and warrants that all of its general obligation bonds, including the Refunding Bonds, are or were issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

SECTION 4.05. *Investments*. All moneys held in any of the funds or accounts established with the County Treasurer hereunder may be invested in Authorized Investments in accordance with the investment policies of the County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. The County Treasurer has no responsibility in the reporting, reconciling and monitoring of the investment of the proceeds of the Refunding Bonds.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof. The District covenants that all investments of amounts deposited in any fund or account created by or under this Resolution, or otherwise containing proceeds of the Refunding Bonds, shall be acquired and disposed of at the Fair Market Value thereof. For purposes of this Section, the term "Fair Market Value" shall mean, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

SECTION 5.01. *Punctual Payment.* The District will punctually pay, or cause to be paid, the principal of and interest on the Refunding Bonds, in strict conformity with the terms of the Refunding Bonds and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Refunding Bonds. Nothing herein contained prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Books and Accounts; Financial Statement.* The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District in which complete and correct entries are made of all transactions relating to the expenditure of the proceeds of the Refunding Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than 10% in aggregate principal amount of the Refunding Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.03. *Protection of Security and Rights of Refunding Bond Owners.* The District will preserve and protect the security of the Refunding Bonds and the rights of the Refunding Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. Following the issuance of the Refunding Bonds by the District, the Refunding Bonds shall be incontestable by the District.

SECTION 5.04. *Tax Covenants.*

(a) Private Activity Bond Limitation. The District shall assure that the proceeds of the Refunding Bonds are not so used as to cause the Refunding Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Refunding Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The District shall not take, or permit or suffer to be taken by the Paying Agent or the County or otherwise, any action with respect to the proceeds of the Refunding Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest on the Refunding Bonds from the gross income of the Owners of the Refunding Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The District shall calculate or cause to be calculated excess investment earnings with respect to the Refunding Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, and shall pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, if and to the extent such Section 148(f) is applicable to the Refunding Bonds. Such payments shall be made by the District from any source of legally available funds of the District. The District shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Refunding Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate.

SECTION 5.05. *Continuing Disclosure*. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which shall be executed by a District Representative and delivered on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate does not constitute a default by the District hereunder or under the Refunding Bonds; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Refunding Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

SECTION 5.06. *CDIAC Annual Reporting*. The District hereby covenants and agrees that it will comply with and the provisions of California Government Code Section 8855 subdivision (k) with respect to annual reporting to the California Debt and Investment Advisory Commission. Said reporting will occur at the times and include the types of information as set forth therein. Notwithstanding any other provision of this Resolution, failure of the District to comply with said reporting does not constitute a default by the District hereunder or under the Refunding Bonds.

SECTION 5.07. *Further Assurances*. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Refunding Bonds of the rights and benefits provided in this Resolution.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* U.S. Bank National Association, Los Angeles, California, or any successor agent thereto, is hereby appointed to act as the initial Paying Agent for the Refunding Bonds and, in such capacity, shall also act as registration agent and authentication agent for the Refunding Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Refunding Bonds, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the District by executing and delivering to the District a certificate or agreement to that effect.

The District may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be the County Treasurer, or a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the District and the Refunding Bond Owners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent will become effective upon acceptance of appointment by the successor Paying Agent.

Any bank, national association, federal savings association, or trust company into which the Paying Agent may be merged or converted or with which it may be consolidated or any bank, national association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national association, federal savings association, or trust company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible as described in this Section 6.01 shall be the successor to such Paying Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.02. *Paying Agent May Hold Refunding Bonds.* The Paying Agent may become the owner of any of the Refunding Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Agents.* The recitals of facts, covenants and agreements herein and in the Refunding Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Refunding Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent is not liable for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Resolution shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent is not responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. *Notice to Agents.* The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate. report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 6.05. *Compensation; Indemnification.* The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. The District further agrees to indemnify and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default*. Any one or more of the following events constitute an event of default under this Resolution:

(a) the failure by the District to pay the principal amount of the Refunding Bonds when due;

(b) the failure by the District to pay any installment of interest on the Refunding Bonds when due;

(c) the default by the District in the observance of any of the covenants, agreements or conditions on its part contained in this Resolution, in the District Resolution or in the Refunding Bonds, and the continuation of such default for a period of 30 days after written notice thereof has been given to a District Representative; or

(d) the filing by the District of a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

SECTION 7.02. *Remedies of Refunding Bond Owners*. Upon the occurrence and during the continuation of any event of default, any Refunding Bond Owner has the right, for the equal benefit and protection of all Refunding Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Refunding Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Refunding Bond Owners' rights; or

(c) upon the happening and continuation of any default by the District hereunder or under the Refunding Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.03. *Remedies Not Exclusive*. No remedy herein conferred upon the Owners of Refunding Bonds is exclusive of any other remedy. Each and every remedy is cumulative and may be exercised in addition to every other remedy given hereunder or thereafter conferred on the Refunding Bond Owners.

SECTION 7.04. *Non-Waiver*. Nothing in this Article VII or in any other provision of this Resolution or in the Refunding Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Refunding Bonds to the respective Owners of the Refunding Bonds at the respective dates of maturity, as herein provided, or affects or impairs the right of action against the District, which is also absolute and unconditional, of such Owners to institute suit against the District to enforce such payment by virtue of the contract embodied in the Refunding Bonds.

A waiver of any default by any Refunding Bond Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Refunding Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Refunding Bond Owners by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Refunding Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Refunding Bond Owners, the District and the Refunding Bond Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

ARTICLE VIII

AMENDMENT OF THIS RESOLUTION

SECTION 8.01. *Amendments Effective Without Consent of the Owners*. The Board may amend this Resolution from time to time, without the consent of the Owners of the Refunding Bonds, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to confirm, as further assurance, any pledge under, and to subject to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(c) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution, in a manner which does not materially adversely affect the interests of the Refunding Bond Owners in the opinion of Bond Counsel filed with the District; or

(d) To make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Refunding Bonds.

SECTION 8.02. *Amendments Effective With Consent of the Owners.* The Board may amend this Resolution from time to time for any purpose not set forth in Section 8.01, with the written consent of the Owners of a majority in aggregate principal amount of the Refunding Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of maturity of the principal of any Outstanding Refunding Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Refunding Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change any of the provisions in Section 7.01 or shall reduce the amount of moneys pledged for the repayment of the Refunding Bonds without the consent of all the Owners of such Refunding Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written consent.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, gives to any person other than the District, the County, the Paying Agent and the Owners of the Refunding Bonds, any right, remedy, claim under or by reason of this Resolution. The covenants, stipulations, promises or agreements in this Resolution are for the sole and exclusive benefit of the Owners of the Refunding Bonds.

SECTION 9.02. *Defeasance of Refunding Bonds.*

(a) Discharge of Resolution. Any or all of the Refunding Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

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

(ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem such Refunding Bonds; or

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

If the District pays all Outstanding Refunding Bonds and also pays or causes to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Resolution), and notwithstanding that any Refunding Bonds have not been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the District under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under this Resolution which are not required for the payment or redemption of Refunding Bonds not theretofore surrendered for such payment or redemption.

(b) Discharge of Liability on Refunding Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem any Outstanding Refunding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), provided that, if such Refunding Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Refunding Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Refunding Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Refunding Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Refunding Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) Deposit of Money or Securities. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent or other agent money or securities in the necessary amount to pay or redeem any Refunding Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under this Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Refunding Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in Section 2.03

or provision satisfactory to the Paying Agent has been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice.

(d) Payment of Refunding Bonds After Discharge of Resolution. Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Refunding Bonds and remaining unclaimed for two years after the principal of all of the Refunding Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Refunding Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Refunding Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Refunding Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

SECTION 9.03. *Execution of Documents and Proof of Ownership by Refunding Bond Owners.* Any request, declaration or other instrument which this Resolution may require or permit to be executed by Refunding Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Refunding Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Refunding Bond Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Refunding Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Refunding Bond shall bind all future Owners of such Refunding Bond in respect of anything done or suffered to be done by the District or the Paying Agent in good faith and in accordance therewith.

SECTION 9.04. *Waiver of Personal Liability.* No Board member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Refunding Bonds; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duly provided by law.

SECTION 9.05. *Limited Duties of County; Indemnification.* The County (including its officers, agents and employees) shall undertake only those duties of the County under this Resolution which are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Refunding Bonds, no implied covenants or obligations shall be read into this Resolution against the County (including its officers, agents and employees).

The District further agrees to indemnify, defend and save the County (including their officers, agents and employees) harmless against any and all liabilities, costs, expenses, damages and claims which it may incur in the exercise and performance of their powers and duties hereunder except, however, with respect to liabilities, costs, expenses, damages and claims which are due to their respective negligence or bad faith.

SECTION 9.06. *Destruction of Canceled Refunding Bonds.* Whenever in this Resolution provision is made for the surrender to the District of any Refunding Bonds which have been paid or canceled under the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Refunding Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Refunding Bonds therein referred to.

SECTION 9.07. *Partial Invalidity.* If any section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The District hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Refunding Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in the chief financial officer of the District in trust for the benefit of the Refunding Bond Owners.

SECTION 9.08. *Effective Date of Resolution.* This Resolution shall take effect from and after the date of its passage and adoption.

APPROVED, ADOPTED, AND SIGNED ON MARCH 15, 2018

BOARD OF EDUCATION OF THE ALVORD UNIFIED SCHOOL DISTRICT

By: ______________________
Julie A. Moreno
President of the Board of Education of the Alvord Unified School District

ATTEST:

By: ______________________
Carolyn M. Wilson
Clerk of the Board of Education of the Alvord Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Carolyn M. Wilson, do hereby certify that the foregoing Resolution No. 30 was adopted by the Board of Education of the Alvord Unified School District at a meeting of said Board held on the 15th day of March, 2018, and that it was so adopted by the following vote:

AYES: 5

NOES: ___

ABSTAIN: ___

ABSENT: ___

____
Carolyn M. Wilson
Clerk of the Board of Education of the Alvord Unified School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Carolyn M. Wilson, do hereby certify that the foregoing is a true and correct copy of Resolution No.30 which was duly adopted by the Board of Education of the Alvord Unified School District at a meeting thereof on the 15th day of March, 2018.

Carolyn M. Wilson
Clerk of the Board of Education of the
Alvord Unified School District

APPENDIX A

FORM OF BOND

REGISTERED BOND NO. ______ ***$____________***

ALVORD UNIFIED SCHOOL DISTRICT

(Riverside County, California)

2018 Refunding General Obligation Bond

INTEREST RATE:	**MATURITY DATE:**	**DATED DATE:**	**CUSIP**
______% per annum	August 1, _____		

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The Alvord Unified School District (the "District"), located in Riverside County (the "County"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the principal amount on the Maturity Date, each as stated above, and interest thereon, calculated on a 30/360 day basis, until the principal amount is paid or provided for, at the Interest Rate stated above, such interest to be paid on February 1 and August 1 of each year, commencing August 1, 2018 (the "Interest Payment Dates"). This Bond will bear interest from the Interest Payment Date next preceding the date of authentication hereof, unless (a) it is authenticated as of a business day following the 15th day of the month immediately preceding any Interest Payment Date (a "Record Date") and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before July 15, 2018, in which event it shall bear interest from the Dated Date referred to above.

Principal hereof is payable at the corporate trust office of the Paying Agent. Interest hereon (including the final interest payment upon maturity) is payable by check, draft or wire of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the Record Date, or at such other address as the Owner may have filed with the Paying Agent for that purpose.

This Bond is one of a series of $__________ of Bonds issued for the purpose of raising money to refinance outstanding general obligation bond indebtedness of the District, issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California as in effect on the date of adoption hereof and as amended hereafter (the "Bond Law"), and under a Resolution of the Board of Education of the District adopted on March 15, 2018 (the "Resolution"), authorizing the issuance of the Bonds. This Bond and the issue of which this Bond is a part are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

The Bonds are general obligations of the District. The Board has the power to direct the County to levy *ad valorem* taxes upon all property within the District that is subject to taxation by the District, without limitation of rate or amount, for the payment of the Bonds and the interest and redemption premium (if any) thereon. The Bonds, including the interest thereon, are payable solely from taxes levied under Sections 15250 and 15252 of the California Education Code. The Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the voter-approved tax for the Bonds.

The Bonds are being issued subject to the terms and conditions of the Resolution. All capitalized terms herein and not otherwise defined have the meaning given them in the Resolution, and if not therein defined, in the Bond Purchase Agreement with respect to the Bonds. Reference is hereby made to the Resolution and the Bond Purchase Agreement (copies of which are on file at the office of the Paying Agent) and the Bond Law for a description of the terms on which the Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

The principal of and interest and redemption premium, if any, on this Bond does not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District.

The Bonds of this issue are issuable only as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

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

[*If applicable*:] The Bonds maturing on August 1, 20__ (the "Term Bonds") are also subject to mandatory sinking fund redemption on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Term Bonds have been redeemed under the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of $5,000, or on such other basis as designated pursuant to written notice filed by the District with the Paying Agent.

Sinking Fund Redemption Date (August 1)	Principal Amount To Be Redeemed

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first class mail, postage prepaid, to the District and the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds. Under certain circumstances as set forth in the Resolution, any such notice of redemption may be rescinded by the District.

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

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This Bond shall be not be valid or obligatory for any purpose and is not entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

IN WITNESS WHEREOF, the Alvord Unified School District has caused this Bond to be executed by the facsimile signature of its President and attested by the facsimile signature of the Secretary of its Board of Education, all as of the date stated above.

ALVORD UNIFIED SCHOOL DISTRICT

By *EXHIBIT ONLY*
President of the Board

Attest:

By: *EXHIBIT ONLY*
Secretary of the Board

FORM OF CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution.

Authentication Date: ______________

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

EXHIBIT ONLY ______________
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

____

____

____
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint ______________ ______________, attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: ______________

Signature Guaranteed:

____
Note: Signature(s) must be guaranteed by an eligible guarantor institution.

____
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX B

REQUIRED DISCLOSURES PURSUANT TO GOVERNMENT CODE SECTION 5852.1
(SB 450 effective January 1, 2018)*

1. True Interest Cost of the Refunding Bonds (Estimated): 3.10%

2. Finance charge of the Refunding Bonds, being the sum of all fees and charges paid to third parties (Costs of Issuance of approximately $130,000 plus estimated underwriter's compensation and bond insurance assuming bond insurance is obtained) (Estimated): $600,000

3. Proceeds of the Refunding Bonds expected to be received by District, net of proceeds for Costs of Issuance in (2) above to paid from the principal amount of the Refunding Bonds to be deposited in the Escrow Fund to be held by the Escrow Agent to redeem the outstanding Prior Bonds (Estimated): $50,200,000

4. Total Payment Amount for the Refunding Bonds, being the sum of (a) debt service to be paid on the bonds to final maturity, plus (b) any financing costs not paid from proceeds of the Refunding Bonds (Estimated): $63,900,000

**Information based on estimates made in good faith by the District's Financial Advisor. Estimates include certain assumptions regarding tax-exempt rates available in the bond market at the time of pricing the bonds.*