**NEW ISSUE -- FULL BOOK-ENTRY**

**INSURED RATINGS: S&P: "AAA"; Moody's: "Aa3"**
**UNDERLYING RATINGS: S&P: "A"; Moody's: "A2"**
**(See "RATINGS" herein.)**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to tax consequences relating to the Bonds.*

# $3,386,770.80
# GREENFIELD UNION SCHOOL DISTRICT
# (Monterey County, California)
# General Obligation Bonds, Election of 2010, Series 2010
# (Bank Qualified)

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

***This cover page contains information for cursory reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.***

The Greenfield Union School District, (Monterey County), California, General Obligation Bonds, Election of 2010, Series 2010 (the "Bonds"), are being issued by the Greenfield Union School District (the "District") to acquire, construct, repair and equip certain District schools, sites and facilities and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds. The Bonds were authorized at an election of the registered voters of the District held on June 8, 2010 (the "Authorization"), at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $8,300,000 principal amount of general obligation bonds.

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Monterey County (the "County") is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the principal and Accreted Value of and interest on the Bonds upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest with respect to the Current Interest Bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011. The Capital Appreciation Bonds accrete interest from the date of their delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2011. The Current Interest Bonds are issuable in denominations of $5,000 or any integral multiple thereof. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof.

Payments of principal and Accreted Value of and interest on the Bonds will be made by U.S. Bank National Association, as bond registrar and paying agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry Only System.")

**The Bonds are subject to redemption prior to maturity as described herein.**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.) See "THE BONDS – Bond Insurance" and "APPENDIX F – Specimen Municipal Bond Insurance Policy."

ASSURED GUARANTY® MUNICIPAL

**MATURITY SCHEDULE**
**(see inside front cover)**

*The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about October 20, 2010.*

PiperJaffray.

Dated: October 5, 2010

## MATURITY SCHEDULE

**$3,386,770.80**
**GREENFIELD UNION SCHOOL DISTRICT**
**(Monterey County, California)**
**General Obligation Bonds, Election of 2010, Series 2010**

**Base CUSIP†: 394856**

**$481,770.80 Capital Appreciation Serial Bonds**

| Maturity (August 1) | Denominational Amount | Accretion Rate | Reoffering Yield | Maturity Value | CUSIP† |
|---|---|---|---|---|---|
| 2011 | $101,403.50 | 10.70% | 1.05% | $110,000 | EP9 |
| 2012 | 53,989.00 | 10.70 | 1.38 | 65,000 | EQ7 |
| 2013 | 41,160.90 | 10.70 | 1.68 | 55,000 | ER5 |
| 2014 | 37,086.50 | 10.70 | 2.03 | 55,000 | ES3 |
| 2015 | 36,453.00 | 10.70 | 2.46 | 60,000 | ET1 |
| 2016 | 38,318.70 | 10.70 | 2.80 | 70,000 | EU8 |
| 2017 | 36,992.25 | 10.70 | 3.18 | 75,000 | EV6 |
| 2018 | 35,552.00 | 10.70 | 3.54 | 80,000 | EW4 |
| 2019 | 34,034.85 | 10.70 | 3.90 | 85,000 | EX2 |
| 2020 | 34,274.10 | 10.70 | 4.28 | 95,000 | EY0 |
| 2021 | 32,506.00 | 10.70 | 4.52 | 100,000 | EZ7 |

**$1,450,000.00 Current Interest Serial Bonds**

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | CUSIP† |
|---|---|---|---|---|
| 2022 | $105,000 | 4.00% | 3.82%(1) | FA1 |
| 2023 | 120,000 | 4.00 | 3.91(1) | FB9 |
| 2024 | 130,000 | 4.00 | 4.04 | FC7 |
| 2025 | 145,000 | 4.00 | 4.20 | FD5 |
| 2026 | 160,000 | 4.00 | 4.25 | FE3 |
| 2027 | 170,000 | 4.00 | 4.31 | FF0 |
| 2028 | 190,000 | 4.25 | 4.35 | FG8 |
| 2029 | 205,000 | 5.00 | 4.37(1) | FH6 |
| 2030 | 225,000 | 5.00 | 4.44(1) | FJ2 |

**$1,455,000.00 5.00% Current Interest Term Bonds due August 1, 2035 – Yield 4.65%(1) – CUSIP† FP8**



(1) Yield to call at par on August 1, 2020.

**GREENFIELD UNION SCHOOL DISTRICT**
**(Monterey County, California)**



**District Administration**

Elida G. Garza, Ed.D., *Superintendent*
Melody Canady, *Assistant Superintendent, Business Services*

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**PROFESSIONAL SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

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

**FINANCIAL ADVISOR**

Isom Advisors, A Division of Urban Futures Incorporated
*Walnut Creek, California*

**UNDERWRITER**

Piper Jaffray & Co.
*El Segundo, California*

**BOND REGISTRAR**

U.S. Bank National Association
*San Francisco, California*

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

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

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable, but such information 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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 or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

> "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective 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 the completeness of such information."

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

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

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

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**$3,386,770.80**
**GREENFIELD UNION SCHOOL DISTRICT**
**(Monterey County, California)**
**General Obligation Bonds, Election of 2010, Series 2010**
**(Bank Qualified)**

## INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Greenfield Union School District (Monterey County, California) General Obligation Bonds, Election of 2010, Series 2010 (the "Bonds").

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

### The District

The Greenfield Union School District (the "District") was established as an elementary school district in 1909 and is located in the central portion of Monterey County (the "County"). Encompassing an area of approximately 286 square miles, the District serves the City of Greenfield, as well as surrounding unincorporated areas.

The District currently operates three elementary schools and a middle school. The 2010-11 assessed valuation of the area served by the District is $793,175,194. The District's average daily attendance for fiscal year 2009-10 was 2,570. The District projects that its average daily attendance for fiscal year 2010-11 will be 2,610.

The District is governed by a five-member Board of Trustees, 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. Pursuant to Section 52055.57 of the Education Code of the State of California, the California State Board of Education has appointed a special trustee (the "Special Trustee") to provide additional guidance and oversight of the District. The Special Trustee has the power to stay or rescind actions of the Board of Trustees. See "THE DISTRICT – Administration." The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Elida G. Garza is the District Superintendent. See "THE DISTRICT."

### Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the principal and Accreted Value of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment."

**Purpose of Issue**

The Bonds are being issued acquire, construct, repair and equip certain District schools, sites and facilities (the "Project"), as authorized by the voters of the District at the election on June 8, 2010, and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds – The Project."

**Description of the Bonds**

***Current Interest Bonds and Capital Appreciation and Bonds.*** The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds mature on August 1 in the years indicated on the inside cover page hereof.

The Capital Appreciation Bonds mature on August 1 in the years indicated on the inside cover page hereof, are payable only at maturity and will not pay interest on a current basis. The Maturity Value of a Capital Appreciation Bond is equal to its Accreted Value on the maturity date thereof. The accreted value (the "Accreted Value") of any Capital Appreciation Bond is equal to its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the delivery date thereof and the date of calculation of such Accreted Value.

***Form and Registration***. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System." In event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

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

***Redemption***. The Current Interest Bonds maturing on or after August 1, 2021 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2020 or on any date thereafter as a whole, or in part. The Current Interest Term Bonds are also subject to mandatory sinking fund redemption as described herein. The Capital Appreciation Bonds are not subject to redemption prior to maturity. See "THE BONDS – Redemption."

***Payments***. Interest on the Current Interest Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery") and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2011. Principal on the Current Interest Bonds is payable in the amounts and years as set forth on the inside cover page hereof. The Capital Appreciation Bonds do not pay current interest. Each Capital Appreciation Bond accretes in value from its Denominational Amount on the Date of Delivery to its Maturity Value on the maturity thereof at the Accretion Rate per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing on February 1, 2011, and is payable only at maturity in the amounts and year as set forth set forth in the table of accreted values as shown in APPENDIX E.

Payments of the principal or Accreted Value of and interest on the Bonds will be made by U.S. Bank National Association, as the bond registrar and paying agent (in such capacity, the "Bond Registrar"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds.

***Bond Insurance.*** The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.) ("AGM" or the "Insurer"). See "THE BONDS – Bond Insurance" and "RATINGS."

**Tax Matters**

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

In the further opinion of Bond Counsel, interest (and original issued discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS."

**Bank Qualified**

The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

**Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District. See "THE BONDS – Authority for Issuance."

**Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 20, 2010.

**Continuing Disclosure**

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events required to be provided are summarized below under the captions "LEGAL MATERS – Continuing Disclosure" and "APPENDIX C – Form of Continuing Disclosure Certificate."

**Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association, San Francisco, California is acting as registrar, transfer agent and paying agent for the Bonds. Isom Advisors, A Division of Urban Futures Incorporated, Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds.

**Forward Looking Statements**

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

**Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Greenfield Union School District, 493 El Camino Real, Greenfield, California, 93927, telephone: (831) 674-2840. The District may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the 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.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined herein).

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the provisions of Chapter 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code (the "Act"), Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on August 30, 2010 (the "Resolution"). The District received authorization at an election held on June 8, 2010 (the "Authorization") to issue not-to-exceed $8,300,000 of general obligation bonds. The Bonds represent the first issuance of bonds under the Authorization. After the issuance of the Bonds, approximately $4,913,229 of the Authorization will remain.

### Security and Sources of Payment

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal and Accreted Value of and interest on the Bonds upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal and Accreted Value of and interest on the Bonds when due. Such taxes, when collected, will be deposited by the County into the Greenfield Union School District General Obligation Bonds Debt Service Fund (the "Debt Service Fund"), which is segregated and maintained by the County and which shall be applied to the payment of the principal and Accreted Value of and interest on the Bonds when due, as provided in the Act. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will maintain the Debt Service Fund, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF BONDS."

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and Accreted Value of and interest on the Bonds, as the same become due and payable, shall be transferred by the County to the Bond Registrar which, in turn, shall pay such moneys to DTC to pay, as the case may be, the principal and Accreted Value of and interest on the Bonds. DTC will thereupon make payment of interest, principal and Accreted Value of the Bonds to the DTC Participants who will thereupon make payments of interest, principal and Accreted Value to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS."

**Description of the Bonds**

The Bonds will be issued in fully registered book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interest in the Bonds. DTC will act as securities depository of the Bonds. See "THE BONDS – Book-Entry Only System."

Interest with respect to the Current Interest Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year commencing February 1, 2011. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2011, in which event it shall bear interest from the Date of Delivery. The Current Interest Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

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

Payment of interest on any Current Interest Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Bond Registrar the owner of such Bond (an "Owner" or

"Bondowner") thereof as of the close of business on the Record Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date, at his address as it appears on such registration books or at such other address as he may have filed with the Bond Registrar for that purpose on or before the Record Date. The Owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Bond Registrar that such Owner be paid interest by wire transfer to the bank and account number on file with the Bond Registrar as of the Record Date. The principal, Accreted Value and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender at the principal office of the Bond Registrar. The principal, interest, Accreted Value and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Bond Registrar is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Bond Registrar to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See "THE BONDS – Book-Entry Only System."

**Book-Entry Only System**

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each 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 certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee 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.

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 the 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 notices be provided directly to them.

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

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

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

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

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.

**So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Holders of the Bonds (other than under the caption "Tax Matters") will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.**

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

## Bond Registrar

U.S. Bank National Association, located in San Francisco, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "Bond Registrar"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Bond Registrar will send any notice of prepayment or other notices to Owners only to DTC.

Neither the Bond Registrar, the District, the Financial Advisor, nor the Underwriter of the Bonds have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

## Redemption

***Optional Redemption.*** The Current Interest Bonds maturing on or before August 1, 2020 are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2021 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 2020, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

***Mandatory Redemption.*** The Current Interest Bonds maturing on August 1, 2035, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2031, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

| Redemption Date (August 1) | Principal Amount |
|---|---|
| 2031 | $245,000 |
| 2032 | 265,000 |
| 2033 | 290,000 |
| 2034 | 315,000 |
| 2035[1] | 340,000 |
| TOTAL | $1,455,000 |

[1] Final Maturity.

In the event that a portion of the Current Interest Bonds maturing on August 1, 2035 are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, in integral multiples of $5,000, in respect of the portion of such Current Interest Bonds optionally redeemed.

**The Capital Appreciation Bonds are not subject to redemption prior to maturity.**

***Selection of Bonds for Redemption***. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Bond Registrar, upon written instruction from the District, will select the Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Bond Registrar will select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Bond Registrar will determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

***Notice of Redemption.*** Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than thirty nor more than forty-five days prior to the redemption date (i) to the Registered Owners thereof at the addresses appearing on the bond registration books of the Bond Registrar, (ii) to the Securities Depository described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depository and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal or Accreted Value of such Bonds, as applicable, to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

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

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-7320.

The actual receipt by an Owner of any Bond or by any Information Service or Securities Depository of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice nor shall any defect in such notice affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest thereon on the date fixed for redemption.

The notice or notices required for redemption will be given by the Bond Registrar or its designee. A certificate by the Bond Registrar that notice of call and redemption has been given to owners of Bonds and to the appropriate Securities Depository and Information Services shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Bondowner failed to actually receive such notice of call and redemption.

***Payment of Redeemed Bonds.*** When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose, as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

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

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

**Registration, Transfer and Exchange of Bonds**

So long as any of the Bonds remain outstanding, the District will cause the Bond Registrar to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

*In the event that the book-entry only system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.*

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

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any Current Interest Bonds means the principal amount thereof and with respect to any Capital Appreciation Bonds means the Maturity Value thereof) upon presentation and surrender at the principal office of the Bond Registrar, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. Upon exchange or transfer, the Bond Registrar shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date. Current Interest Bonds and Capital Appreciation Bonds may not be exchanged for one another.

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

**Defeasance**

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

(a) Cash: by irrevocably depositing with the Bond Registrar or with an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal, Accreted Value and interest and premium, if any; or

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

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

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

**Bond Insurance**

*The following information has been provided by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") for use in this Official Statement, and neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. Reference is made to APPENDIX F for a specimen of the municipal bond insurance policy of the Insurer.*

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

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

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

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

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

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

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

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

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

Capitalization of AGM

At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

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

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

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

**Application and Investment of Bond Proceeds**

***The Project***. The District plans to use the proceeds from the Bonds to acquire, construct, repair and equip certain District schools, sites and facilities, as authorized by the voters of the District in the Authorization (collectively, the "Project").

***Building Fund***. The net proceeds of the sale of the Bonds shall be deposited in the Greenfield Union School District General Obligation Bonds Building Fund (the "Building Fund") and shall be applied only to acquire, construct, repair and equip certain District schools, sites and facilities as authorized by the voters of the District in the Authorization. Any interest earnings on moneys held in the Building Fund shall be retained in the Building Fund.

***Debt Service Fund***. Any premium or accrued interest received by the District on the sale of the Bonds shall be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

***Permitted Investments***. In accordance with the Resolution and subject to federal tax restrictions, moneys in the Building Fund and Debt Service Fund shall be initially invested in the County administered pooled investment fund (the "County Pool"). See "MONTEREY COUNTY INVESTMENT POOL." Subsequently, such moneys may continue to be invested in the County Pool or invested, at the direction of the District in accordance with the Resolution and subject to federal tax restrictions, in any other lawful investment permitted by Sections 16429.1 and 53601 of the Government Code of the State of California (the "Government Code") or in shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code, in the California Local Agency Investment Fund ("LAIF") or in a guaranteed investment contract with a financial institution or insurance company which has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Rating Service and Moody's Investors Service.

## ESTIMATED SOURCES AND USES OF FUNDS

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

| | |
|---|---|
| Sources of Funds | |
| Principal Amount of Bonds | $3,386,770.80 |
| Net Original Issue Premium | 258,835.85 |
| Total Sources | $3,645,606.65 |
| Uses of Funds | |
| Building Fund | $3,386,770.80 |
| Costs of Issuance[1] | 258,835.85 |
| Total Uses | $3,645,606.65 |

[1] Costs of issuance include Underwriter's discount, bond insurance premium, legal fees, financial advisory fees, printing and expenses, demographics, and filing fees.

## DEBT SERVICE SCHEDULE

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

| | Current Interest Bonds | | Capital Appreciation Bonds | | |
|---|---|---|---|---|---|
| Year Ending August 1 | Annual Principal Payment | Annual Interest Payment[1] | Annual Principal Payment[2] | Accreted Interest at Maturity[2] | Total Annual Debt Service |
| 2011 | -- | $105,784.79 | $101,403.50 | $8,596.50 | $215,784.79 |
| 2012 | -- | 135,525.00 | 53,989.00 | 11,011.00 | 200,525.00 |
| 2013 | -- | 135,525.00 | 41,160.90 | 13,839.10 | 190,525.00 |
| 2014 | -- | 135,525.00 | 37,086.50 | 17,913.50 | 190,525.00 |
| 2015 | -- | 135,525.00 | 36,453.00 | 23,547.00 | 195,525.00 |
| 2016 | -- | 135,525.00 | 38,318.70 | 31,681.30 | 205,525.00 |
| 2017 | -- | 135,525.00 | 36,992.25 | 38,007.75 | 210,525.00 |
| 2018 | -- | 135,525.00 | 35,552.00 | 44,448.00 | 215,525.00 |
| 2019 | -- | 135,525.00 | 34,034.85 | 50,965.15 | 220,525.00 |
| 2020 | -- | 135,525.00 | 34,274.10 | 60,725.90 | 230,525.00 |
| 2021 | -- | 135,525.00 | 32,506.00 | 67,494.00 | 235,525.00 |
| 2022 | $105,000.00 | 135,525.00 | -- | -- | 240,525.00 |
| 2023 | 120,000.00 | 131,325.00 | -- | -- | 251,325.00 |
| 2024 | 130,000.00 | 126,525.00 | -- | -- | 256,525.00 |
| 2025 | 145,000.00 | 121,325.00 | -- | -- | 266,325.00 |
| 2026 | 160,000.00 | 115,525.00 | -- | -- | 275,525.00 |
| 2027 | 170,000.00 | 109,125.00 | -- | -- | 279,125.00 |
| 2028 | 190,000.00 | 102,325.00 | -- | -- | 292,325.00 |
| 2029 | 205,000.00 | 94,250.00 | -- | -- | 299,250.00 |
| 2030 | 225,000.00 | 84,000.00 | -- | -- | 309,000.00 |
| 2031 | 245,000.00 | 72,750.00 | -- | -- | 317,750.00 |
| 2032 | 265,000.00 | 60,500.00 | -- | -- | 325,500.00 |
| 2033 | 290,000.00 | 47,250.00 | -- | -- | 337,250.00 |
| 2034 | 315,000.00 | 32,750.00 | -- | -- | 347,750.00 |
| 2035 | 340,000.00 | 17,000.00 | -- | -- | 357,000.00 |
| Total | $2,905,000.00 | $2,711,209.79 | $481,770.80 | $368,229.20 | $6,466,209.79 |

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

(2) The Capital Appreciation Bonds are payable only at maturity on August 1 of the years indicated on the inside cover hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing on February 1, 2011.

See "DISTRICT FINANCIAL MATTERS – District Debt Structure – General Obligation Bonds" for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

## MONTEREY COUNTY INVESTMENT POOL

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

Under California law, the District is required to pay all monies received from any source into the Monterey County Treasury to be held on behalf of the District. The Treasurer-Tax Collector of the County (the "Treasurer") has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury (the "Treasury Pool").

On June 30, 2010, the Treasury Pool contained an amortized cost basis of $966,849,153.33. The market value was $967,564,072.28 and was 100.07% of the amortized cost basis. The portfolio's estimated earned income for the quarter was $1,507,934.11 , which represents an annualized yield of 0.57%. The weighted average maturity of the portfolio was 226 days. The County Treasurer's investment portfolio is in compliance with all provisions of the adopted Investment Policy and with applicable provisions of State statutes. The sources of market values and prices were Bloomberg LLP, Union Bank of California, and certain securities dealers. The County Treasurer's report includes separate reports by maturity range and security classification.

As of June 30, 2010, approximately 33.9% of the Treasury Pool was in cash or invested in instruments with overnight maturities, including repurchase agreements with dealers, money market funds, commercial paper, and investments in the Local Agency Investment Fund (LAIF) managed by the State Treasurer.

| Type of Security | Market Value | Average Days to Maturity | % of Portfolio |
|---|---|---|---|
| Money Market Accounts | $142,047,954.09 | 1 | 14.68% |
| State Pool | 90,000,000.00 | 1 | 9.30 |
| CAMP | 95,761,341.71 | 1 | 9.90 |
| Negotiable CDs | 9,976,809.60 | 238 | 1.03 |
| Medium Term Notes | 54,904,290.00 | 490 | 5.67 |
| Commercial Paper Discount Notes | 9,988,014.38 | 95 | 1.03 |
| Federal Agency Coupon Securities | 291,726,200.00 | 171 | 30.15 |
| US Treasury Notes | 161,635,300.00 | 171 | 16.71 |
| US Treasury Bills | 29,964,100.00 | 205 | 3.10 |
| Federal Agency Step Up | 81,560,062.50 | 1,288 | 8.43 |
| Total | $967,564,072.28 | 226 | 100.00% |

*Source: County of Monterey Treasurer-Tax Collector.*

Neither the District nor the Underwriters have made an independent investigation of the investments in the Treasury Pool and has made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*The principal and Accreted Value of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS – Security and Sources of Payment") Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, 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 County to levy taxes on behalf of the District and the District to 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 Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

### Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations."

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

**Legislation Implementing Article 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 relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

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

**Unitary Property**

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL MATTERS."

**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. As amended, Article XIIIB defines

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

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article 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 such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

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

**Article XIIIC and Article XIIID of the California Constitution**

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

**Propositions 98 and 111**

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

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

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

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

a. 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.

b. <u>Treatment of Excess Tax Revenues</u>. "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.

c. <u>Exclusions from Spending Limit</u>. 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.

d. <u>Recalculation of Appropriations Limit</u>. 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.

e. <u>School Funding Guarantee</u>. 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 capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

**Proposition 39**

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

The fifty-five percent vote requirement 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 fifty-five percent of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See " – Article XIIIA of the California Constitution" above.

**Jarvis v. Connell**

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

### Proposition 1A

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

### State Cash Management Legislation

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

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

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

### Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## TAX BASE FOR REPAYMENT OF BONDS

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

### *Ad Valorem* Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment plus a $10 cost on the second installment. Property on the secured roll with delinquent taxes is sold to the State on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and is then subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and

(4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

**Assessed Valuations**

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, 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. For a discussion of how properties currently are assessed and re-assessed, see "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.

Property within the District has a total assessed valuation for fiscal year 2010-11 of $793,175,194. Shown in the following table are the assessed valuations for the District for the period 2003-04 through 2010-11.

**ASSESSED VALUATIONS**
**Fiscal Years 2003-04 through 2010-11**
**Greenfield Union School District**

Assessed Valuations

| | Local Secured | Utility | Unsecured | Total |
|---|---|---|---|---|
| 2003-04 | $493,859,705 | $81,450 | $17,219,422 | $511,160,577 |
| 2004-05 | 525,250,896 | 734,330 | 17,742,707 | 543,727,933 |
| 2005-06 | 621,183,103 | 81,450 | 18,816,653 | 640,081,206 |
| 2006-07 | 844,195,191 | 81,450 | 23,700,287 | 867,976,928 |
| 2007-08 | 1,022,094,568 | 81,450 | 25,171,253 | 1,047,347,271 |
| 2008-09 | 983,810,015 | 45,675 | 26,166,122 | 1,010,021,812 |
| 2009-10 | 850,408,873 | 45,675 | 28,330,347 | 878,784,895 |
| 2010-11 | 768,216,370 | 45,675 | 24,913,149 | 793,175,194 |

*Source: California Municipal Statistics, Inc. for fiscal years 2003-04 through 2009-10 and Monterey County Auditor-Controller for fiscal year 2010-11.*

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment."

***Appeals of Assessed Valuations.*** Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution."

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.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

**Tax Levies, Collections and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. 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 specific 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 specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table shows the secured tax charges and delinquencies for taxes collected by the County from property in the District between 2003-04 and 2008-09.

**SECURED TAX CHARGES AND DELINQUENCY RATES**
**Fiscal Years 2003-04 through 2008-09**
**Greenfield Union School District**

| Tax Year | Secured Tax Charge[1] | Amount Delinquent June 30 | Percent Delinquent June 30 |
|---|---|---|---|
| 2003-04 | $1,707,088.00 | $21,219.05 | 1.24% |
| 2004-05 | Not available | Not available | Not available |
| 2005-06 | 2,033,198.00 | 41,684.98 | 2.05 |
| 2006-07 | 2,315,154.00 | 75,464.62 | 3.26 |
| 2007-08 | 2,292,797.00 | 133,249.50 | 5.81 |
| 2008-09 | 2,303,489.00 | 92,873.87 | 4.03 |

[1] 1% General Fund apportionment.
*Source: California Municipal Statistics, Inc.*

## Assessed Valuation and Parcels by Land Use

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

**ASSESSED VALUATION AND PARCELS BY LAND USE**
**Greenfield Union School District**

| | 2009-10 Assessed Valuation [1] | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Non-Residential: | | | | |
| Agricultural | $216,278,174 | 25.43% | 569 | 13.03% |
| Commercial | 63,757,583 | 7.50 | 108 | 2.47 |
| Vacant Commercial | 3,744,798 | 0.44 | 38 | 0.87 |
| Industrial | 12,376,808 | 1.46 | 31 | 0.71 |
| Recreational | 2,821,713 | 0.33 | 3 | 0.07 |
| Government/Social/Institutional | 1,449,135 | 0.17 | 169 | 3.87 |
| Miscellaneous | 1,136,596 | 0.13 | 17 | 0.39 |
| Subtotal Non-Residential | $301,564,807 | 35.46% | 935 | 21.41% |
| | | | | |
| Residential: | | | | |
| Single Family Residence | $465,962,485 | 54.79% | 2,890 | 66.16% |
| Mobile Home | 2,747,874 | 0.32 | 47 | 1.08 |
| Mobile Home Park | 2,589,752 | 0.30 | 5 | 0.11 |
| 2-4 Residential Units | 28,276,006 | 3.32 | 104 | 2.38 |
| 5+ Residential Units/Apartments | 25,386,738 | 2.99 | 38 | 0.87 |
| Vacant Residential | 23,881,211 | 2.81 | 349 | 7.99 |
| Subtotal Residential | $548,844,066 | 64.54% | 3,433 | 78.59% |
| | | | | |
| Total | $850,408,873 | 100.00% | 4,368 | 100.00% |

[1] Local Secured Assessed Valuation; excluding tax-exempt property.
*Source: California Municipal Statistics, Inc.*

**Alternative Method of Tax Apportionment**

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County administering any penalties and interest ultimately collected as prescribed in the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to all secured tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan includes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2009-10. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County 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 receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

### Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District from 2005-06 to 2009-10.

**SUMMARY OF *AD VALOREM* TAX RATES**
**Fiscal Years 2005-06 through 2009-10**
**(Tax Rate Area 78-001)**
**(Tax Rates Per $100 of Assessed Value)**
**Greenfield Union School District**

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|
| General Tax Rate[(1)] | 1.000000% | 1.000000% | 1.000000% | 1.000000% | 1.000000% |
| Kings City Joint Union High School District | .053880 | .046920 | .041180 | .042610 | .044270 |
| Greenfield Union School District | .066040 | .044510 | .028690 | .042510 | .054410 |
| Hartnell Community College District | .017140 | .020230 | .016090 | .018520 | .021040 |
| Total Tax Rate | 1.137060% | 1.111660% | 1.085960% | 1.103640% | 1.119720% |

(1) 1% General Fund Levy; maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution.
*Source: California Municipal Statistics, Inc.*

### Largest Property Owners

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2009-10 secured assessed valuations.

**LARGEST 2009-10 LOCAL SECURED TAXPAYERS**
**Greenfield Union School District**

| | Property Owner | Primary Land Use | 2009-10 Assessed Valuation | % of Total[(1)] |
|---|---|---|---|---|
| 1. | Creekbridge Greenfield Retail LLC | Commercial | $25,858,839 | 3.04% |
| 2. | Wente Bros. | Vineyards | 16,203,549 | 1.91 |
| 3. | William D. Massa | Agricultural | 10,148,584 | 1.19 |
| 4. | Benjamin Herman Kryger | Vineyards | 9,042,931 | 1.06 |
| 5. | Arroyo Seco Vineyards Inc. | Vineyards | 9,002,924 | 1.06 |
| 6. | Mamzirp LLC | Agricultural | 7,986,804 | 0.94 |
| 7. | Greenfield Vineyards | Agricultural | 7,862,947 | 0.92 |
| 8. | Edward Silva, Jr. | Vineyards | 7,746,570 | 0.91 |
| 9. | Santa Lucia Square Associates LP | Shopping Center | 7,643,067 | 0.90 |
| 10. | John Edward Doud | Vineyards | 7,486,065 | 0.88 |
| 11. | RLS Vineyard LLC | Vineyards | 6,589,713 | 0.77 |
| 12. | Universal Foods Corp. | Food Processing | 6,458,296 | 0.76 |
| 13. | Scheid Vineyards California Inc. | Vineyards | 6,324,135 | 0.74 |
| 14. | Franscioni Griva Corporation | Agricultural | 5,342,190 | 0.63 |
| 15. | 3MF LLC | Agricultural | 5,268,994 | 0.62 |
| 16. | Eula M. Riva | Vineyards | 4,633,016 | 0.54 |
| 17. | Marc & Tara Pura | Agricultural | 4,478,245 | 0.53 |
| 18. | Allan & Darcy Panziera | Agricultural | 4,316,722 | 0.51 |
| 19. | Award Homes Inc. | Residential Development | 4,265,640 | 0.50 |
| 20. | David Edward Blair | Agricultural | 4,063,470 | 0.48 |
| | | | $160,722,701 | 18.90% |

(1) 2009-10 Local Secured Assessed Valuation: $850,408,873
*Source: California Municipal Statistics, Inc.*

**Statement of Direct and Overlapping Debt**

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of July 1, 2010. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**
**Greenfield Union School District**

| | |
|---|---|
| 2009-10 Assessed Valuation: | $878,784,895 |
| Redevelopment Incremental Valuation | (271,436,392) |
| Adjusted Assessed Valuation | $607,348,503 |

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 7/1/10 | |
|---|---|---|---|
| Monterey County Water Resources Agency, Zone No. 2-C | 2.874% | $944,253 | |
| Hartnell Community College District | 3.002 | 3,723,771 | |
| King City Joint Union High School District | 21.126 | 2,843,560 | |
| **Greenfield Union School District** | **100.000** | **6,373,266** | (1) |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $13,884,850 | |
| | | | |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | | |
| Monterey County General Fund Obligations | 1.311% | $2,632,422 | |
| Monterey County Judgment Obligations | 1.311 | 42,935 | |
| Hartnell Community College District Certificates of Participation | 3.002 | 62,141 | |
| Monterey Bay Unified Air Pollution Control Authority | 0.778 | 18,983 | |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $2,756,481 | |
| | | | |
| COMBINED TOTAL DEBT | | $16,641,331 | (2) |

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

Ratios to 2009-10 Assessed Valuation:
**Direct Debt ($6,373,266)...................................................................... 0.73%**
Total Direct and Overlapping Tax and Assessment Debt.................... 1.58%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt .......................................................................... 2.74%

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

*Source: California Municipal Statistics, Inc.*

## THE DISTRICT

### Introduction

The District was established as an elementary school district in 1909 and is located in the central portion of Monterey County. Encompassing an area of approximately 286 square miles, the District serves the City of Greenfield, as well as surrounding unincorporated areas. The District currently operates three elementary schools and a middle school. The 2010-11 assessed valuation of the area served by the District is $793,175,194. The District's average daily attendance for fiscal year 2009-10 was 2,570. The District projects that its average daily attendance for fiscal year 2010-11 will be 2,610.

### Administration

***District Board.*** The District is governed by a five-member Board of Trustees (the "District Board"), each of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The members of the District Board, together with their office and the date their term expires, are listed in the following table:

| Board Member | Office | Term Expires |
|---|---|---|
| Arthur Salvagno | President | December 2011 |
| Sonia M. Heredia | Clerk | December 2013 |
| Maria A. Castillo | Member | December 2013 |
| Jose Vasquez | Member | December 2013 |
| Robert White | Member | December 2011 |

***Special Trustee.*** The District has been identified as a "program improvement local educational agency" under the federal No Child Left Behind Act of 2001, Title 20 United States Code, Section 6301 *et seq*. In response, and pursuant to Section 52055.57 of the Education Code of the State of California, the California State Board of Education (the "State Board") has appointed Norma A. Martinez as a special trustee (the "Special Trustee") to provide additional guidance to and oversight of the District. The State Board and the Special Trustee have entered into a memorandum of understanding, dated May 26, 2010 (the "MOU"), for the purpose of improving the academic performance of the District. Pursuant to the MOU, the Special Trustee will serve a term of at least three years, during which time the Special Trustee will (i) assess the District's problems related to the academic underperformance of District students, (ii) submit written performance objectives for the period of the MOU for review and approval by the State Board, (iii) develop a corrective action plan designed to facilitate the improvement of student achievement and the transition to less severe oversight of the District. During the term of the MOU, the District Board will generally retain its usual powers and authorities; provided that, subject to the terms of the MOU, the Special Trustee has the power to stay or rescind any action of the District Board that, in the sole judgment of the Special Trustee, is inconsistent with the corrective action plan formulated for the District or which otherwise may adversely impact the District.

***Superintendent and Assistant Superintendent, Business Services.*** The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Elida G. Garza is the District's Superintendent and Melody Canady is the Assistant Superintendent, Business Services.

Brief biographies of the Superintendent and the Assistant Superintendent, Business Services follow:

Elida G. Garza, Ed.D., Superintendent. Dr. Elida G. Garza has been the Superintendent of the District since July 2007. Prior to the superintendent appointment, she served for four years with the Fairfield-Suisun Unified School District as the coordinator of various educational programs which included the Gifted and Talented Education Program, English Learners, and Program Improvement intervention under the No Child Left Behind Act. Dr. Garza has over 20 years experience in public education. She received a Bachelor of Arts in liberal studies from California State University, Fresno, and earned a multiple subjects teaching credential. In May 2007, Dr. Garza received a doctorate degree in educational leadership through the Joint Doctoral Program in Educational Leadership from California State University, Fresno and University of California, Davis..

Melody Canady, Assistant Superintendent, Business Services. Melody Canady has been the Assistant Superintendent, Business Services of the District since May 2007. Prior to arriving at the District, she served as the Human Resources Executive Director at Fresno Unified School District for one year and the Human Resources Information System Manager for Clovis Unified School District for nine years. Ms. Canady has over 13 years experience in school administration. She received a Bachelor of

Science in Business Administration and a Master of Arts in Education Administration and Supervision from California State University, Fresno. In May of 2010, Ms. Canady was certified as Chief Business Official in Public School Business.

## Average Daily Attendance and Enrollment

The following table shows the District's average daily attendance ("A.D.A.") and enrollment over the last nine fiscal years and a projection for the current fiscal year.

**AVERAGE DAILY ATTENDANCE**
**FISCAL YEARS 2001-02 THROUGH 2010-11**
**Greenfield Union School District**

| Year | Average Daily Attendance | Enrollment |
|---|---|---|
| 2001-02 | 2,466 | 2,615 |
| 2002-03 | 2,451 | 2,561 |
| 2003-04 | 2,396 | 2,538 |
| 2004-05 | 2,315 | 2,430 |
| 2005-06 | 2,336 | 2,449 |
| 2006-07 | 2,357 | 2,468 |
| 2007-08 | 2,410 | 2,506 |
| 2008-09 | 2,500 | 2,635 |
| 2009-10 | 2,570 | 2,657 |
| 2010-11[1] | 2,610 | 2,735 |

[1] Budgeted.
*Source: The District.*

The current student-teacher ratios in the District are shown in the following table:

| Grade | Student-Teacher Ratio |
|---|---|
| K | 22.81:1 |
| 1 | 20.29:1 |
| 2 | 20.94:1 |
| 3 | 20.19:1 |
| 4 | 21.92:1 |
| 5 | 23.33:1 |

## Labor Relations

As of June 30, 2010, the District employed approximately 145 full-time equivalent certificated employees and 109 classified employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

**BARGAINING UNITS**
**Greenfield Union School District**

| Labor Organization | Number of Employees In Bargaining Unit | Contract Expiration Date |
|---|---|---|
| Greenfield Teachers Association | 124 | June 30, 2008[(1)] |
| California School Employees Association | 79 | June 30, 2012 |

______________________
(1) Employees continue to work under the terms of expired contract.

## Retirement Programs

***STRS and CalPERS***. The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers all full-time and some part-time certificated employees. The District's contribution to STRS was $759,748 for fiscal year 2007-08, $765,156 for fiscal year 2008-09, $767,659 for fiscal year 2009-10, and is budgeted to be $747,025 for fiscal year 2010-11. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. Both systems are operated on a statewide basis. The District's contribution to PERS was $469,208 for fiscal year 2007-08, $368,156 for fiscal year 2008-09, $393,736 for fiscal year 2009-10, and is budgeted to be $441,098 for fiscal year 2010-11. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public agencies.

The District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share. The District was required to contribute to PERS at an actuarially determined rate, which was 9.709% of eligible salary expenditures for fiscal year 2009-10, while participants contribute 7% of their respective salaries.

## Other Post-Employment Benefits

The District provides post-employment medical and dental insurance coverage to eligible retirees through a single-employer defined benefit healthcare plan (the "Plan"). As of June 30, 2009, membership of the Plan consisted of 17 retirees and beneficiaries then receiving benefits and 228 active plan members.

As of June 30, 2009, the District had a net obligation in respect of such post-employment benefits of $206,690. See Note 11 to the fiscal year 2008-09 audited financial statements of the District included as APPENDIX A hereto.

**Joint Powers Authorities**

The District is a member of three joint powers authorities (each a "JPA") for insurance purposes: Monterey County Schools Insurance Group ("MCSIG"); Monterey County Schools Workers' Compensation "MCSWC"); and Monterey and San Benito Counties Liability and Property Self-Insurance Authority ("MSBCLPSIA"). The District pays an annual premium to each applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

During the year ended June 30, 2009, the District made payments of: (i) $2,259,306 to MCSIG for employee medical, dental, and vision benefits; (ii) $495,286 to MCSWC for workers' compensation insurance; and (iii) $100,487 to MSBCLPSIA for property and liability insurance coverage. Based upon prior claims experience, the District believes that it has adequate insurance coverage.

## DISTRICT FINANCIAL MATTERS

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

**Accounting Practices**

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the 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.

Revenue is recorded on an accrual basis except for taxes allocable to the District, which are considered revenue in the year collections are made and, therefore, are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the year, are reflected as adjustments to the fund balance.

**District Budgets**

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

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

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

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

The District has never had an adopted budget disapproved by the county superintendent of schools. In fiscal year 2003-04, the District's first interim report received a qualified certification and its second interim report received a negative certification. Since fiscal year 2003-04, the District has never received a "qualified" or "negative" certification of an Interim Financial Report pursuant to AB 1200.

The District's general fund adopted budget for fiscal years 2008-09 through 2010-11, actual results for the fiscal year 2008-09 and estimated actual results for fiscal year 2009-10 are set forth in the following table.

**GENERAL FUND BUDGETS FOR FISCAL YEARS 2008-09 THROUGH 2010-11**
**AND ACTUAL RESULTS FOR FISCAL YEARS 2008-09 THROUGH 2009-10**
**Greenfield Union School District**

| | 2008-09 Adopted Budget[(1)] | 2008-09 Audited Actuals | 2009-10 Adopted Budget[(1)] | 2009-10 Estimated Actuals[(2)] | 2010-11 Adopted Budget[(2)] |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Revenue limit sources | $13,684,861 | $13,647,319 | $12,632,508 | $12,333,239 | $12,638,978 |
| Federal sources | 1,976,187 | 3,335,286 | 2,519,276 | 3,758,743 | 1,643,969 |
| Other State sources | 4,935,896 | 4,926,937 | 4,855,681 | 5,101,479 | 4,932,533 |
| Other local sources | 810,041 | 1,521,838 | 1,086,559 | 1,243,410 | 1,113,198 |
| **Total Revenues** | 21,406,985 | 23,431,380 | 21,094,024 | 22,436,870 | 20,328,678 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Certificated salaries | 9,506,663 | 9,669,669 | 9,324,406 | 9,313,426 | 9,129,016 |
| Classified salaries | 2,369,719 | 2,559,732 | 2,447,474 | 2,499,487 | 2,491,614 |
| Employee benefits | 4,514,771 | 4,686,591 | 4,963,942 | 4,822,244 | 4,854,467 |
| Books & supplies | 1,427,628 | 988,260 | 846,778 | 2,082,882 | 592,092 |
| Services and operating | 1,477,874 | 1,749,381 | 1,446,758 | 2,456,038 | 1,455,136 |
| Capital outlay | -- | 19,388 | 350,000 | 350,350 | -- |
| Other Outgo | 2,022,757 | 2,179,541 | 2,091,378 | 2,090,920 | 2,139,987 |
| Transfers of Indirect Costs | -- | -- | (28,284) | (29,415) | (27,769) |
| **Total Expenditures** | 21,319,412 | 21,852,562 | 21,442,453 | 23,585,932 | 20,634,543 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 87,573 | 1,578,818 | (348,428) | (1,149,062) | (305,866) |
| **Other Financing Sources (Uses):** | | | | | |
| Transfers in | 15,000 | 280,022 | -- | 35,271 | -- |
| Transfers out | 102,085 | (3,160,253)[(3)] | -- | (208,000) | -- |
| **Net Financing Sources (Uses)** | 117,085 | (2,880,231) | -- | (172,729) | -- |
| **NET CHANGE IN FUND BALANCE** | 204,658 | (1,301,413) | (348,428) | (1,321,791) | (305,866) |
| **Fund Balance – Beginning** | 3,158,835 | 3,158,835 | 1,620,576 | 2,089,479[(4)] | 767,688 |
| **Fund Balance - Ending** | $3,363,493 | $1,857,422 | $1,272,147 | $767,688 | $461,823 |
| **Special Reserve Fund ("Fund 17") - Ending** | | $2,799,701 | $858,512 | $3,292,853 | $3,292,853 |
| **Total Combined General Fund and Fund 17 Balance - Ending** | | $4,657,123 | $2,130,659 | $4,060,541 | $3,754,676 |

(1) Original adopted budget.
(2) From fiscal year 2010-11 adopted budget, dated June 24, 2010.
(3) Reflects transfer out to establish Special Reserve Fund for Other than Capital Outlay Projects ("Fund 17").
(4) Reflects audit adjustment of $232,057.
*Source: The District.*

## Financial Statements

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. Audited financial statements for the District for the fiscal year ended June 30, 2009, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 493 El Camino Real, Greenfield, California, 93927, telephone: (831) 674-2840. Excerpts from the District's audited financial statements for the year ended June 30, 2009 are attached hereto as APPENDIX A.

The District's audited statement of general fund revenues, expenditures and changes in fund balances for fiscal years ending June 30, 2006 through June 30, 2009 are set forth in the following tables.

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**Fiscal Years 2005-06 Through 2008-09[1]**
**Greenfield Union School District**

| | 2005-06 Audited Actual | 2006-07 Audited Actual |
|---|---|---|
| **REVENUES** | | |
| Revenue limit sources | $11,868,130 | $12,913,352 |
| Federal revenues | 2,732,726 | 2,677,819 |
| Other state revenues | 4,130,988 | 4,886,111 |
| Other local revenues | 983,049 | 1,168,359 |
| **Total Revenues** | 19,714,893 | 21,645,641 |
| **EXPENDITURES** | | |
| Certificated salaries | 7,840,823 | 8,875,196 |
| Classified salaries | 2,307,912 | 2,531,471 |
| Employee benefits | 3,491,805 | 3,891,986 |
| Books and supplies | 1,479,842 | 1,923,732 |
| Contract services and operating | 1,816,544 | 2,058,464 |
| Capital outlay | 99,584 | 21,574 |
| Other outgo | 1,226,808 | 1,865,589 |
| **Total Expenditures** | 18,263,318 | 21,168,012 |
| **Excess of Revenues over (under) Expenditures** | 1,451,575 | 477,629 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Operating transfers in | 16,152 | 18,492 |
| Operating transfers out | (98,549) | (1,235,049) |
| **Total Other Financing Sources (Uses)** | (82,397) | (1,216,557) |
| **Net Change in Fund Balance** | 1,369,178 | (738,928) |
| **Fund Balance, July 1** | 1,957,151 | 3,326,329 |
| **Fund Balance, June 30** | $3,326,329 | $2,587,401 |

| | 2007-08 Audited Actual | 2008-09 Audited Actual |
|---|---|---|
| **REVENUES** | | |
| Revenue limit sources: | $13,408,003 | $13,647,319 |
| Federal sources | 2,492,217 | 3,335,286 |
| Other state sources | 5,664,376 | 5,345,871 |
| Other local sources | 1,045,825 | 1,521,838 |
| **Total Revenues** | 22,610,421 | 23,850,314 |
| **EXPENDITURES** | | |
| Current | | |
| Instruction | 13,001,077 | 12,991,255 |
| Instruction - related services: | | |
| Supervision of instruction | 777,531 | 1,084,306 |
| Instructional library, media and technology | 110,827 | 120,647 |
| School site | 1,260,813 | 1,210,922 |
| Pupil Services: | | |
| Home-to-school transportation | 321,540 | 322,876 |
| Food services | -- | -- |
| All other pupil services | 1,065,639 | 1,057,647 |
| Administration: | | |
| Data processing | 127,870 | 119,842 |
| All other administration | 1,508,534 | 1,363,857 |
| Plant Services | 1,674,655 | 1,730,139 |
| Facility acquisition and construction | -- | 19,389 |
| Ancillary services | 26,262 | 25,088 |
| Other outgo | 2,062,153 | 2,225,528 |
| Debt service: | | |
| Principal | -- | -- |
| Interest and other | -- | -- |
| **Total Expenditures** | 21,936,901 | 22,271,496 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 673,520 | 1,578,818 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Transfers in | -- | 280,022 |
| Transfers out | (102,085) | (3,160,253) |
| **Net Financing Sources (Uses)** | (102,085) | (2,880,231) |
| **Net Change in Fund Balance** | 571,435 | (1,301,413) |
| **Fund Balance, July 1** | 2,587,401 | 3,158,836 |
| **Fund Balance, June 30** | $3,158,836 | $1,857,422[2] |

[1] For fiscal year 2009-10 estimated actual results, See "DISTRICT FINANCIAL MATTERS – District Budgets."
[2] See preceding page for total combined general fund and Fund 17 fiscal year end balance.
*Source: The District.*

**State Funding of Education**

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

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

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

Generally, these apportionments of basic and equalization aid amount to the difference between a district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

The following table shows the average daily attendance for the District for the last nine years and the District's revenue limit per A.D.A. for such period, as well as projected figures for the current fiscal year.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT**
**Fiscal Years 2001-02 through 2010-11**
**Greenfield Union School District**

| Year | Average Daily Attendance | Base Revenue Limit per ADA |
|---|---|---|
| 2001-02 | 2,466 | 4,455.85 |
| 2002-03 | 2,451 | 4,544.85 |
| 2003-04 | 2,396 | 4,629.85 |
| 2004-05 | 2,315 | 4,761.28 |
| 2005-06 | 2,336 | 4,963.28 |
| 2006-07 | 2,357 | 5,315.80 |
| 2007-08 | 2,410 | 5,556.80 |
| 2008-09 | 2,500 | 5,871.80 |
| 2009-10 | 2,570 | 6,121.80 |
| 2010-11[1] | 2,610 | 6,098.80 |

[1] Budgeted.
*Source: The District.*

**Revenue Sources**

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

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

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

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

The revenue limit sources constituted approximately 59.3% of general fund revenues in fiscal year 2007-08, 57.2% of such revenues in fiscal year 2008-09, 55.0% of such revenues in fiscal year 2009-10 and are budgeted to equal approximately 62.2% of such revenues in fiscal year 2010-11.

***Federal Revenues***. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, constituted approximately 11.0% of general fund revenues in fiscal year 2007-08, 14.0% of such revenues in fiscal year 2008-09, 16.8% of such revenues in fiscal year 2009-10 and are budgeted to equal approximately 8.1% of such revenues in fiscal year 2010-11.

***Other State Revenues***. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, Educational Technology Assistance Grants, mandated cost reimbursements and instructional materials, among others. Other State revenues constituted approximately 25.1% of general fund revenues in fiscal year 2007-08, 22.4% of such revenues in fiscal year 2008-09, 22.7% of such revenues in fiscal year 2009-10 and are budgeted to equal approximately 24.3% of such revenues in fiscal year 2010-11.

***State Lottery.*** In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50 percent of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material. State Lottery net revenues - gross revenues less prizes and administration expenses - are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. Allocations to the District in 2009-10 were approximately 1.4% of General Fund revenues and in 2010-11 are budgeted to be approximately 1.6% percent of General Fund revenues.

***Other Local Revenues***. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted approximately 4.6% of general fund revenues in fiscal year 2007-08, 6.4% of such revenues in fiscal year 2008-09, 5.5% of such revenues in fiscal year 2009-10 and are budgeted to equal approximately 5.5% of such revenues in fiscal year 2010-11.

**District Debt Structure**

***Schedule of Long-Term Debt.*** A schedule of changes in long-term debt for the year ended June 30, 2009, is shown below:

| | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| General Obligation Bonds: | | | | |
| Series A – 1999 Current Interest | $2,085,000 | -- | $150,000 | $1,935,000 |
| Series A – 1999 Capital Appreciation | 2,479,919 | $167,800 | -- | 2,647,719 |
| Series B – 2005 Current Interest | 2,879,000 | -- | 20,000 | 2,859,000 |
| Series B – 2005 Capital Appreciation | 448,012 | 24,032 | -- | 472,044 |
| Compensated absences – net | 88,347 | 1,635 | -- | 89,982 |
| Capital leases | 247,230 | 89,671 | 47,240 | 289,661 |
| Other postemployment benefits | -- | 354,459 | 147,769 | 206,690[1] |
| Totals | $8,227,508 | $637,597 | $365,009 | $8,500,096 |

[1] See "THE DISTRICT – Other Post-Employment Benefits."
*Source: The District.*

***General Obligation Bonds.*** On June 29, 1999, the District issued its General Obligation Bonds, Election of 1999, Series A in the aggregate principal amount of $3,999,629.60 (the "1999 Series A Bonds). On February 10, 2005, the District issued its General Obligation Bonds, Election of 1999, Series B in the aggregate principal amount of $3,298,635.75 (the "1999 Series B Bonds).

On August 30, 2010, the Board of Trustees of the District authorized the issuance of the District's 2010 General Obligation Refunding Bonds in an aggregate principal amount not to exceed $2,500,000 (the "2010 Refunding Bonds"). The 2010 Refunding Bonds, in the aggregate principal amount of $1,615,000, were issued on September 30, 2010. The proceeds of the 2010 Refunding Bonds were used to current refund a portion of the District's 1999 Series A Bonds.

The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt, including the Bonds.

| Year Ending (August 1) | 1999 Series A Debt Service[(1)] | 1999 Series B Debt Service | 2010 Refunding Bonds Debt Service | Series 2010 Bonds Debt Service | Total Annual Debt Service |
|---|---|---|---|---|---|
| 2011 | -- | $185,416.25 | $310,869.17 | $215,784.79 | $712,070.21 |
| 2012 | -- | 193,916.25 | 317,400.00 | 200,525.00 | 711,841.25 |
| 2013 | -- | 202,041.25 | 346,800.00 | 190,525.00 | 739,366.25 |
| 2014 | -- | 214,241.25 | 372,350.00 | 190,525.00 | 777,116.25 |
| 2015 | -- | 226,372.50 | 406,850.00 | 195,525.00 | 828,747.50 |
| 2016 | $455,000.00 | 237,872.50 | -- | 205,525.00 | 898,397.50 |
| 2017 | 490,000.00 | 248,847.50 | -- | 210,525.00 | 949,372.50 |
| 2018 | 525,000.00 | 264,037.50 | -- | 215,525.00 | 1,004,562.50 |
| 2019 | 560,000.00 | 273,412.50 | -- | 220,525.00 | 1,053,937.50 |
| 2020 | 595,000.00 | 289,750.00 | -- | 230,525.00 | 1,115,275.00 |
| 2021 | 635,000.00 | 299,775.00 | -- | 235,525.00 | 1,170,300.00 |
| 2022 | 675,000.00 | 318,750.00 | -- | 240,525.00 | 1,234,275.00 |
| 2023 | 720,000.00 | 331,150.00 | -- | 251,325.00 | 1,302,475.00 |
| 2024 | 765,000.00 | 352,237.50 | -- | 256,525.00 | 1,373,762.50 |
| 2025 | -- | 366,487.50 | -- | 266,325.00 | 632,812.50 |
| 2026 | -- | 384,162.50 | -- | 275,525.00 | 659,687.50 |
| 2027 | -- | 405,000.00 | -- | 279,125.00 | 684,125.00 |
| 2028 | -- | 425,000.00 | -- | 292,325.00 | 717,325.00 |
| 2029 | -- | 445,000.00 | -- | 299,250.00 | 744,250.00 |
| 2030 | -- | -- | -- | 309,000.00 | 309,000.00 |
| 2031 | -- | -- | -- | 317,750.00 | 317,750.00 |
| 2032 | -- | -- | -- | 325,500.00 | 325,500.00 |
| 2033 | -- | -- | -- | 337,250.00 | 337,250.00 |
| 2034 | -- | -- | -- | 347,750.00 | 347,750.00 |
| 2035 | -- | -- | -- | 357,000.00 | 357,000.00 |
| Total | $5,420,000.00 | $5,663,470.00 | $1,754,269.17 | $6,466,209.79 | $19,303,948.96 |

(1) Excludes 1999 Series A Bonds refunded from proceeds of the 2010 Refunding Bonds.
*Source: The District.*

## Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreement are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability, as of June 30, 2009, on lease agreements with options to purchase is summarized below:

| Fiscal Year | Lease Payment |
|---|---|
| 2010 | $60,956 |
| 2011 | 60,956 |
| 2012 | 60,956 |
| 2013 | 60,956 |
| 2014 | 42,956 |
| 2015 | 44,491 |
| Total | $331,271 |
| Less: Amount Representing Interest | (41,610) |
| Present Value of Minimum Lease Payments | $289,661 |

*Source: The District.*

**State Budget Measures**

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

***The 2009 Budget Act.*** On February 19, 2009, the Legislature passed a series of bills (the "2009 Budget Act") designed as a comprehensive solution to the State's budget deficit, which had been projected to grow to approximately $41.6 billion between fiscal years 2008-09 and 2009-10. On March 13, 2009, the Legislative Analyst's Office (the "LAO") released a report analyzing the provisions of the 2009 Budget Act (the "2009 Budget Act Report"). The following information has been adapted from the 2009 Budget Act Report.

According to the LAO, the 2009 Budget Act is a valid budget for fiscal year 2009-10, adopted nearly five months ahead of the State constitutional budgetary deadline. The 2009 Budget Act, however, contains provisions that are designed to achieve solutions in both fiscal years 2008-09 and 2009-10.

For fiscal year 2008-09, the 2009 Budget Act assumes year-end revenues of approximately $91.7 billion and expenditures of approximately $94.1 billion. The 2009 Budget Act also eliminates the $1.7 billion reserve projected by the budget for fiscal year 2008-09 (the "2008-09 Budget"), projecting that the State will end fiscal year 2008-09 with a $3.4 billion deficit. For fiscal year 2009-10, the 2009 Budget Act projects total revenues of $97.7 billion and authorizes expenditures of $92.2 billion, allowing the State to build up a $2.1 billion reserve. The LAO generally concurs with the 2009 Budget Act's forecast for year-end 2008-09 revenues. For 2009-10, however, the LAO projects year-end revenues that are approximately $8 billion less than those assumed by the 2009 Budget Act, reflecting recent negative developments in the State's economic condition. Consequently, the LAO projects that the State will end the 2009-10 fiscal year with a $6 billion deficit. The LAO notes the need for additional budgetary solutions in fiscal year 2009-10 beyond those contained in the 2009 Budget Act.

To address the projected $41.6 billion deficit, the 2009 Budget Act includes $15.7 billion in expenditure reductions, $12.5 billion in revenue increases, and $5.4 billion in borrowings. Approximately $6 billion of theses solutions were subject to voter approval at a May 19, 2009 state election and were not approved. The 2009 Budget Act also projects the receipt of approximately $8.5 billion in stimulus funds from the federal government as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"), signed into law by the President of the United States on February 17, 2009. Of the solutions included in the 2009 Budget Act, approximately $2.8 billion of expenditure reductions and tax increases can be "triggered off"—meaning they will not go into effect—if the State receives at least $10 billion in combined federal funding pursuant to ARRA during fiscal years 2008-09 and 2009-10.

The 2009 Budget Act includes the following major expenditure reductions:

- *No COLAs.* $1.2 billion in combined spending-related savings for fiscal years 2008-09 and 2009-10 by suspending cost of living adjustments ("COLAs") for various programs, including Supplemental Security Income ("SSI"), State Supplementary Payment ("SSP"), California Work Opportunities and Responsibilities to Kids ("CalWORKs") and Medi-

Cal, as well as trial courts and the University of California and California State University systems.

- *Deferred Spending.* The 2009 Budget Act also defers approximately $500 million in costs for expenses the State will face in future years, including approximately $200 million in tribal revenues to the General Fund that would otherwise have been used to pay off prior transportation loans. The 2009 Budget Act also defers approximately $91 million in mandate reimbursements to local governments.

- *Health.* $184 million in savings in fiscal year 2009-10 by eliminating certain optional Medi-Cal benefits and reducing reimbursements rates to public hospitals by 10 percent. This provision may be triggered off by the receipt of sufficient federal stimulus funds. The 2009 Budget Act also assumes $160 million in savings from reductions to reimbursement rates for developmental health service providers.

- *Social Services.* $74 million in savings in fiscal year 2009-10 for In-Home Supportive Service ("IHSS") expenditures from the reduction of IHSS provider wages, as well as $4 million in savings by eliminating state assistance with Medi-Cal co-payments for new IHSS participants. The 2009 Budget Act also achieves $147 million in savings by reducing CalWORKs grants by 4 percent and $268 million in savings by reducing SSI/SSP grants by 2.3 percent. All of these Social Services reductions can be triggered off by the receipt of sufficient federal stimulus funds.

- *Transportation.* $460 million in combined savings in fiscal years 2008-09 and 2009-10 for transportation services expenditures by reducing state funding of the State Transit Assistance program in fiscal year 2008-09 and eliminating such funding in fiscal year 2009-10.

- *Employee Compensation.* $1.2 billion in combined savings for fiscal years 2008-09 and 2009-10, realized primarily from the continued implementation of monthly one and two-day furloughs for state employees.

- *Higher Education Savings*. $232 million in unallocated reductions for higher education funding, as well as an additional $100 million unallocated reduction for fiscal year 2009-10 that may be triggered off by the receipt of sufficient federal stimulus funds.

- *Other Reductions.* The 2009 Budget Act also includes (i) a $171.4 million reduction in judiciary expenditures in fiscal year 2009-10 that may be triggered off by the receipt of sufficient federal stimulus funds, and (ii) $580 million in unspecified correctional services reductions.

The 2009 Budget Act reduces total Proposition 98 funding in fiscal year 2008-09 to $50.7 billion, including $35 billion in General Fund support, which is approximately $7.3 billion below the level set by the 2008-09 Budget. The bulk of this reduction—approximately $2.4 billion—represents cuts to K-14 programs. Major components of this reduction include (i) $287 million through elimination of the COLA included as part of the 2008-09 budget, (ii) $944 million of K-12 and county office of education revenue limit payments and (iii) $944 million from K-12 categorical programs. The balance of the reductions in Proposition 98 funding are comprised of deferrals and funding swaps. The 2009 Budget Act defers $3.2 billion in K-14 payments to June 2009; this deferral is composed of $2.3 billion from K-12 principal apportionment programs, $570 million from K-3 class size reduction, and $340 million from California community college apportionments. Finally, the 2009 Budget Act retires existing Proposition 98 settle-up obligations ($1.1 billion) and uses special funds to directly support the Home-to-School Transportation program ($619 million).

For fiscal year 2009-10, the 2009 Budget Act provides for $54.9 billion in Proposition 98 funding, including $39.5 billion in General Fund support, representing an increase of $4.2 billion from the level set for 2008-09. However, $4.6 billion of this funding will be used to backfill programs for one-time solutions enacted as part of the 2008-09 Budget. To accommodate this backfill, as well as fund $253 million in new growth and baseline adjustments, the 2009 Budget Act maintains the programmatic cuts set for 2008-09 and makes additional cuts of $702 million to K-12 and child care programs. Specifically, these additional cuts reflect reductions of (i) $268 million to K-12 and county office of education revenue limit payments, (ii) $268 million to K-12 categorical programs, (iii) $53 million to reimbursement rates and family fees for child care providers and (iv) $114 million through elimination of the High Priority Schools Grant Program.

As mentioned above, the 2009 Budget Act assumes an additional $12.5 billion in revenues, including $1.5 billion in fiscal year 2008-09 and $11 billion in fiscal year 2009-10, through the enactment of the following major revenue and borrowing solutions:

- *Sales Tax.* $5.8 billion from a temporary one-cent increase in the state sales tax, including $1.2 billion of additional revenue for fiscal year 2008-09 and $4.6 billion of such revenues for fiscal year 2009-10. The increased tax becomes effective April 1, 2009 and is set to lapse on July 1, 2011.

- *Vehicle License Fees.* $2 billion from a temporary increase in vehicle license fees, including $346 million in additional revenues for fiscal year 2008-09 and $1.7 billion of such revenues in fiscal year 2009-10. This increase is set to lapse on July 1, 2011.

- *Personal Income Tax*. $1.8 billion from a temporary increase of 0.125 percent in each personal income tax rate. The 2009 Budget Act also provides for $1.8 billion from an additional personal income tax increase of 0.125 percent that may be triggered off if sufficient federal stimulus funds are received. This tax increase is set to lapse after tax year 2010.

- *Reduction of Dependent Tax Credit.* $1.4 billion from a temporary reduction in the value of dependent credit for income tax purposes. This reduction is set to lapse after tax year 2010.

Additional information regarding the 2009 Budget Act is available from the LAO's website: www.lao.ca.gov.

***Amendments to 2009 Budget Act.*** On July 28, 2009, the Governor signed into law a series of amendments to the 2009 Budget Act (the "2009 Budget Amendments"). The following information has been adapted from both the Department of Finance and LAO reports on the 2009 Budget Amendments.

The 2009 Budget Amendments are designed to address the State's budget deficit, which grew to approximately $60 billion since the adoption of the 2009 Budget Act. As a result of the deteriorating state and national economies, the 2009 Budget Amendments lower projected General Fund revenues for fiscal year 2009-10 by $3 billion. Further, the 2009 Budget Amendments project $89.5 billion of General Fund revenues and authorize $84.6 billion of expenditures. The State is now expected to end the 2009-10 fiscal year with a $500 million reserve.

The 2009 Budget Amendments include measures for both fiscal year 2008-09 and 2009-10, and are in addition to those implemented as part of the 2009 Budget Act. Specifically, the 2009 Budget Amendments include $18 billion in expenditure reductions, $3.5 billion in revenue increases, and $2.2 billion in borrowings. The LAO notes that year-to-year comparisons of revenues and expenditures are difficult due to the variety of one-time solutions.

The 2009 Budget Amendments include the following major features. In formulating many of the expenditure reductions, the Department of Finance notes that General Fund costs would be significantly higher but for the receipt of federal stimulus funding:

- *K-14 Education*. For fiscal years 2008-09 and 2009-10, total reductions of $6.1 billion in Proposition 98 funding, as further discussed herein. These reductions have been partially offset by the receipt of federal stimulus funds—including $2.8 billion pursuant to ARRA—for fiscal years 2008-09 and 2009-10. The State expects to maintain the minimum spending levels required for the continued receipt of ARRA stimulus funds.

- *Higher Education*. For fiscal years 2008-09 and 2009-10, reductions of $1 billion for each of the University of California ("UC") and California State University ("CSU") systems. When combined with the reductions approved as part of the 2009 Budget Act, and factoring in the receipt of federal stimulus funds and new fee revenues, the UC and CSU systems have experienced an 8 percent cut in base funding.

- *Student Fees.* The 2009 Budget Amendments authorize an increase of enrollment fees at California community colleges by $6 per unit, which is expected to generate $80 million in additional revenue. Student fees are also increased in the UC and CSU systems by 9.3 percent and 32 percent, respectively. These increases are expected to generate $166 million and $366 million, respectively, in additional revenues.

- *Cal Grant.* The 2009 Budget Amendments fully fund Cal Grant programs for fiscal year 2009-10, and reduce General Fund expenditures by $32 million by borrowing a like amount from the Student Loan Operating Fund.

- *Proposition 1A Suspension.* The 2009 Budget Amendments authorize the borrowing of $1.9 billion from city, county and special district property taxes pursuant to Proposition 1A. These funds will be shifted to county-level supplemental revenue augmentation funds and used to fund judicial, correctional, Medi-Cal and education expenses otherwise borne by the General Fund. These funds must be repaid with interest by June 30, 2013. To alleviate the impact on local governments, the enabling legislation authorizes the creation of joint powers authorities to issue bonds against the State's repayment obligation.

- *Redevelopment Shift*. The 2009 Budget Amendments require $1.7 billion to be shifted from redevelopment agency revenues in fiscal year 2009-10, and $350 million in fiscal year 2010-11. These revenues will be used to fund courts, prisons, the Medi-Cal system, as well as offset reduced General Fund Proposition 98 funding.

- *Corrections/Rehabilitation.* $788 million in fiscal year 2009-10 reductions to the California Department of Corrections and Rehabilitation resulting from a combination of operational savings, program reductions, and policy reforms. When added to the reductions approved by the 2009 Budget Act, total reductions are approximately $1.2

billion. The 2009 Budget Amendments also assume $50 million in savings from limiting reimbursement rates paid to private contractors providing health care to inmates outside of prison.

- *Medi-Cal*. The 2009 Budget Amendments assume $1 billion in General Fund savings from the receipt of federal funds that were either past due or authorized through federal waivers. The 2009 Budget Amendments also assume unspecified reductions to the Medi-Cal program amounting to approximately $323 million. The LAO notes that the manner in which these savings would be achieved has not been determined.

- *Supplemental Security Income/State Supplementary Payment.* $108 million in reductions to SSI/SSP program for fiscal year 2009-10 by reducing grants for individuals by $5 per month and grants for couples to $72 per month.

- *CalWORKs.* $510 million in reductions to the CalWORKs program for fiscal year 2009-10, primarily from a reduction in county block grant allocations for welfare-to-work and child care services.

- *In Home Supportive Services.* $264 million in reductions for IHSS expenditures for fiscal year 2009-10 consisting primarily of (i) reforms designed to reduce or prevent fraud, (ii) elimination of the State's share-of-cost contribution, and (iii) eliminating or reducing domestic and related services for all but the most severely disabled recipients.

- *Regional Center and Developmental Center Programs.* $284 million in reductions for developmental services in fiscal year 2009-10. The bulk of the expected savings consist of a $234 million cost containment target set for the statewide developmental services system. The Department of Finance notes that proposals are being developed by the Legislature to achieve this savings.

- *COLAs.* The 2009 Budget Amendments eliminate automatic COLAs for the CalWORKs and SSI/SSP programs, beginning in fiscal year 2010-11. COLAs for long-term care providers, including skilled nursing facilities, are frozen, resulting in a reduction of $76 million in General Fund expenditures.

- *Transportation.* The 2009 Budget Act includes several fund shifts and borrowings related to transportation funding, including (i) the use of $562 million in spillover gasoline sales tax revenues from 2009-10 to reimburse the General Fund for regional center transportation and debt service funding, (ii) redirection of $225 million in Public Transportation Account funds for regional center transportation and debt service funding, (iii) an interfund loan of $135 million from the State Highway Account to the General Fund, which loan must be repaid with interest in three years, and (iv) transfer of $70 million in unrestricted motor vehicle account revenues to the General Fund.

- *Resources and Environmental Protection*. The 2009 Budget Amendments include $14 million in reductions to General Fund support for State park operations, as well as $62 million in loans from resource-related special funds to the General Fund.

- *State Operations*. The 2009 Budget Amendments include a series of expenditure reductions related to State operations, including (i) the deferral of $900 million in State employee paychecks to the next fiscal year by moving the June 30, 2010 payday to July 1, 2010, (ii) the imposition of a third monthly furlough day for certain State employees, which the 2009 Budget Amendments assume will yield $425 million in savings, (iii) $100 million in reductions to information technology budgets, (iv) $50 million in assumed savings from the consolidation, reorganization or elimination of various State boards and committees; and (v) $150 in assumed savings from changes in PERS rates and fees.

- *Other Reductions*. Other reductions include (i) $168.6 million in fiscal year 2009-10 for State trial courts and (ii) $178.6 million in fiscal year 2009-10 for the Healthy Families Program.

- *Revenue Increases.* The 2009 Budget Amendments include the following measures designed to increase State revenues: (i) an increase of 10 percent in the state wage withholding, effective as of October 1, 2009, which is expected to increase revenues by $1.7 billion in fiscal year 2009-10, (ii) alteration to the amount of estimated taxes that individuals and corporations must submit to the state each quarter that is expected to increase revenues by $610 million in fiscal year 2009-10, and (iii) the sale of a portion of the State Compensation Insurance Fund which is expected to yield increased revenues of $1 billion in fiscal year 2009-10.

- *Gubernatorial Vetoes*. Prior to signing the 2009 Budget Amendments, the Governor used his veto power to further reduce expenditures. These vetoes included (i) $6 million in financial aid administration for the Cal Grant program, (ii) $80 million in county funding for child welfare services, (iii) virtually all funding for the Williamson Act Open Space program, (iv) $55 million of departmental funding for certain scheduled pay increases, (v) $50 million for developmental services funding, and (vi) $300 million in healthcare spending. Representatives of groups affected by these reductions have publicly expressed their intent to judicially challenge the Governor's veto power over these expenditures.

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

For fiscal year 2009-10, the 2009 Budget Amendments reduce Proposition 98 funding to $50.4 billion, a change of $4.5 billion from the funding levels set by the 2009 Budget Act. This figure reflects a total reduction in Proposition 98 funding of $5.3 billion, which is offset by $850 million in redevelopment revenues shifted from certain State agencies, as discussed above. The bulk of this reduction consists primarily of (i) $2.1 billion in reductions to school district and county office of education revenue limit payments, (ii) $80 million in reductions to basic aid school district categorical programs, (iii) $580 million in reductions to ongoing California community college funding, and (iv) a deferral of $1.7 billion in school district revenue limit payments and $115 million community college apportionments from the 2009-10 fiscal year to August of the 2010-11 fiscal year. As a cash management measure, the 2009 Budget Amendments also defer approximately $2 billion in K-12 school district apportionments from the first few months of the 2009-10 fiscal year to December 2009 and January 2010.

Additional information regarding the 2009 Budget Amendments may be obtained from the Department of Finance at www.dof.ca.gov and from the LAO at www.lao.ca.gov.

***Governor's Proposed 2010-2011 State Budget.*** On January 8, 2010, the Governor released his proposed budget for fiscal year 2010-11 (the "Proposed 2010-11 Budget"). On January 12, 2010, the LAO released its overview of the Proposed 2010-11 Budget; on February 25, 2010, the LAO also released supplemental reports on the provisions of the Proposed 2010-11 Budget affecting education funding. The following information is adapted from these reports.

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

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

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

Total Proposition 98 expenditures are reduced by $568 million in fiscal year 2009-10, and largely reflects a recapturing of K-12 funding expected to go unused. Specifically, the Proposed 2010-11 Budget recognizes $340 million in purported savings from increased K-3 class sizes and $228 million in various baseline adjustments resulting primarily from reduced student attendance. The Proposed 2010-11 Budget also delays a significant portion of the $11.2 billion "maintenance factor" payments approved as part of the 2009 Budget Amendments, from which the Proposed 2010-11 Budget recognizes substantial general fund savings in both 2009-10 and 2010-11.

For fiscal year 2010-11, the Proposed 2010-11 Budget implements approximately $2.2 billion in total reductions. The most significant is a $1.5 billion reduction to K-12 revenue limit funding that is to be achieved by (1) requiring school districts to spend less on non-instructional activities, (2) consolidating county office of education functions, and (3) removing restrictions on the contracting out of non-instructional services. Other significant reductions include (i) $201 million by applying a negative 0.38% COLA to K-12 apportionments and certain categorical programs resulting, (ii) $200 million by reducing eligibility and reimbursement rates for CalWORKs Stage 3 child care, and (iii) $210 million by recognizing additional savings from increased K-3 class sizes. The Proposed 2010-11 Budget does, however, provides $79 million to fund three K-12 mandates.

The Proposed 2010-11 Budget would implement new flexibility for school and community college districts to respond to the various proposed cuts. For school districts, these options include (1) eliminating seniority rules that apply to layoffs, assignments/reassignments, transfers and hires, (2) eliminating rules regarding priority and pay for receiving substitute teacher assignments, (3) extending the layoff notification window to the last day of the school year, (4) extending the observation window for probationary teachers to four years, and (5) other numerous changes to teacher dismissal procedures.

With the implementation of these measures, the Proposed 2010-11 Budget provides for $49.8 billion in Proposition 98 funding for fiscal year 2009-10, including $44 billion for K-12 education. For fiscal year 2010-11, Proposition 98 funding is set at $49.9 billion, including $43.9 billion for K-12 education, reflecting a decrease of 0.2% from the prior year. The LAO notes that, while Proposition 98 funding remains virtually flat across fiscal years 2009-10 and 2010-11, the State general fund share will increase by approximately 4.1%, while the share covered by local property tax revenues will decline by approximately 8.7%. While this is attributable in part to the slumping real estate market, the bulk of the decline in State general fund support results from the one-time $850 million contribution from redevelopment agencies approved as part of the 2009 Budget Amendments.

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

- *Transportation Funding.* Elimination of most Proposition 42 transportation funding by repealing the State sales tax on gasoline. The State would make up the lost revenues by increasing the per gallon excise tax on gasoline (the "Gas Tax"). For fiscal year 2010-11, this proposal is projected to reduce fuel sales tax revenues by $2.8 billion. The Proposed 2010-11 Budget would partially offset this loss with a 10.8 cents per gallon increase of the Gas Tax, which is projected to generate $1.9 billion in revenues, resulting in a net reduction of transportation revenues of approximately $1 billion. The Proposed 2010-11 Budget does not provide any additional public transit or rail funding, either in fiscal year 2010-11 or going forward. In addition, by reducing State sales tax revenues, the Proposed 2010-11 Budget expects to achieve additional savings by lowering the Proposition 98 minimum funding guarantee.

- *State Employees.* $1.6 million of anticipated general fund savings by ending the current employee furlough program and instituting (1) a five percent reduction of state employee salaries across the board, (2) a five percent increase in employee pension contributions, and (3) a five percent unallocated reduction of departmental personnel costs.

- *Medi-Cal.* $750 million of various measures designed to reduce Medi-Cal costs through unspecified limits on services, utilization controls, and increased cost sharing with benefits recipients through copayment requirements or premiums. The Proposed 2010-11 Budget also anticipates $294 million in savings in fiscal years 2009-10 and 2010-11 by eliminating full-scope Medi-Cal services for certain immigrants, eliminating adult day health care benefits, delaying payments to institutional providers, and rescinding family planning rate increases.

- *Corrections/Rehabilitation.* $811 million of assumed savings from the reduction of inmate medical costs. The LAO notes that the Proposed 2010-11 Budget fails to specify the measures of achieving this savings. The Proposed 2010-11 Budget also assumes savings of $25 million in fiscal year 2009-10 and $292 million in 2010-11 by requiring that certain non-serious, non-violent and non-sex-offense felonies result in one-year county jail sentences in lieu of state prison sentences.

- *Department of Developmental Services.* $200 million in assumed savings in fiscal year 2010-11 through various cost-control measures for the Department of Developmental Services ("DDS").

- *Delay of Local Government Mandate Payments.* $137 million in anticipated reductions by suspending mandates not related to elections, law enforcement and property taxes.

The Proposed 2010-11 Budget also anticipates saving $95 million by deferring scheduled mandates for costs incurred prior to fiscal year 2004-05.

- *Social Services.* $178 million in reductions to SSI/SSP programs by reducing grants to individuals by $15 per month (or 1.8%). The Proposed 2010-11 Budget also includes a 15.7% reduction in CalWORKs grants, with assumed general fund savings of $117 million.

- *Proposition 10 Ballot Proposal.* The Proposed 2010-11 Budget would place, on the June 2010 election ballot, a measure to allow use of Proposition 10 early childhood development funds for State general fund-supported DDS and Department of Social Services programs that serve children. It is anticipated that these measures would generate $550 million in general fund savings. The LAO notes that this proposal is similar to the Proposition 1D ballot proposal that was unsuccessfully put to the voters as part of the 2009 Budget Act.

- *Proposition 63 Ballot Proposal.* The Proposed 2010-11 Budget would also place on the June 2010 election ballot a measure shifting $452 million of Proposition 63 mental health funds to pay State general fund costs for specified Department of Mental Health programs in fiscal years 2010-11 and 2011-12. The LAO notes that this proposal is similar to the Proposition 1E ballot proposal that was unsuccessfully put to the voters as part of the 2009 Budget Act.

- *Other Measures.* The Proposed 2010-11 Budget also includes the following measures: (1) elimination of the Cash Assistance Program for Immigrants and the California Food Assistance Program ($200 million); (2) use of automated speed enforcement systems to reduce state costs for trial courts ($297 million); (3) a 4.8% surcharge on residential and commercial property insurance ($200 million) to cover fire protections costs; (4) approval by the Legislature of a lease to mine oil and gas off the Santa Barbara coast ($197 million) to cover costs associated with the State park system.

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

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

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

- *Other Federal Funds.* The Proposed 2010-11 Budget assumes State general fund savings in connection with other miscellaneous programs, including: (1) $1 billion of anticipated federal reimbursement for special education services; (2) $538 million from an extension of ARRA funding for the CalWORKs program; and (3) $880 million of federal funding to fully offset costs of incarcerating undocumented immigrant, which the LAO notes is substantially in excess the federal funding the State has received in past years for such costs (approximately $111 million per year).

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

While generally supportive of the Proposed 2010-11 Budget's revenue forecasts, the LAO perceives some flaws. Beyond questioning some of the assumed savings claimed by the Proposed 2010-11 Budget, the LAO notes that many of the proposed measures, such as a unilateral increase in state employee pension contributions or the changes to the fiscal year 2009-10 Proposition 98 maintenance factor discussed above, raise questions regarding their legality. Other proposed cuts to health, social services and transportation funding may face lawsuits. Finally, the LAO cautions that it is highly unlikely that the State will receive all the federal funds or flexibility sought by the Proposed 2010-11 Budget, and advocates more modest assumptions in the receipt of such federal assistance.

Additional information regarding the Proposed 2010-2011 Budget may be obtained from the LAO at www.lao.ca.gov.

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

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

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

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

Revision projects total revenues of $91.4 billion and expenditures of $83.4 billion. The May Revisions projects that the State will end the 2010-11 fiscal year with a $1.2 billion reserve.

For fiscal year 2009-10, the May Revision keeps total Proposition 98 funding virtually unchanged at $49.9 billion. This level of funding is maintained despite a drop in State general fund revenues and a corresponding decrease in the Proposition 98 minimum guarantee. As a result, the May Revision provides for $503 million more than the Proposed 2010-11 Budget. The May Revision counts this overappropriation as a payment towards the State's $11.2 billion in outstanding maintenance factor payments. Although total Proposition 98 funding remains relatively unchanged, the State general fund share increases to $35.8 billion (an increase of approximately $1.1 billion) to offset declines in local property tax revenues and oil/mineral revenues.

For fiscal year 2010-11, the May Revision reduces total Proposition 98 funding to $48.4 billion, including $35 billion from the State general fund. The May Revision purports to achieve the bulk of this reduction ($1.2 billion) by eliminating all Proposition 98 support for state-subsidized child care. Other measures affecting K-12 education funding include a reduction of $4.1 million reflecting an increase (from 0.38% to 0.39%) in the negative COLA approved by the Proposed 2010-11 budget, and a fund shift of $321 million in unspent prior-year funds to achieve a like amount of general fund savings.

Significantly, the May Revision maintains the overall $1.5 billion reduction to K-12 revenue limit funding included in the Proposed 2010-11 Budget. This reduction included a $45 million cut to county office of education funding. Under the terms of the Proposed 2010-11 Budget, this reduction would have been achieved by requiring school districts to spend less on non-instructional activities and the consolidation of county office of education functions. The May Revise, however, removes these requirements in order to provide school districts maximum flexibility to manage the overall reduction to revenue limit funding. The May Revise also reduces the cut to county office of education funding by $16.8 million.

The May Revision purports to achieve an additional $1.5 billion in savings by "rebenching" the Proposition 98 minimum funding guarantee to reflect the elimination of child care services discussed above. The LAO notes that the legality of this rebenching is unclear and suggests that the Legislature consider suspending Proposition 98 in fiscal year 2009-10 and fund the minimum Proposition 98 guarantee amount of $50.8 billion in fiscal year 2010-11. Alternatively, the LAO suggests suspending the guarantee in both fiscal years and funding a flat amount of $49.8 billion.

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

- *State Employees.* $795 million in anticipated savings from a mandatory personal leave program pursuant to which certain State employees will have their take-home pay reduced by the equivalent of eight hours of pay each month during fiscal year 2010-11. Such employees would be credited with a corresponding amount of personal leave hours.

- *CalWORKs.* $1.2 billion in anticipated savings through the elimination of the CalWORKs program. Combined with other CalWORKs reductions set forth in the Proposed 2010-11 Budget, total savings are assumed to be $2.5 billion. The LAO recommends the rejection of this proposal, principally on grounds that the State would forego significant amounts of federal funding tied to the CalWORKs program, and that its elimination would shift the cost of providing services to needy families to counties.

- *Medi-Cal.* Approximately $900 million in savings from a variety of changes to the Medi-Cal program, including: (i) enrolling seniors and persons with disabilities in managed care; (ii) imposing new copayment requirements for various services, hospital stays and emergency room visits ; (iii) limiting physician and clinic visits to ten per year; and (iv) freezing hospital rates. The May Revision assumes the receipt of federal approval of these reductions. The May Revision also largely eliminates the Drug Medi-Cal program, a substance abuse program partly funded by the federal government.

- *Health.* $602 million in purported savings by allowing counties to provide no more than the minimum range of mental health services required by the federal government for participation in Medicaid. The May Revision has also removed the Proposition 63 ballot measure included in the Proposed 2010-11 Budget.

- *In-Home Supportive Services.* With a majority of prior IHSS reductions blocked by court decisions, the May Revision proposes $750 million in savings to be achieved through cost-containment measures developed in consultation with stakeholders. For fiscal year 2010-11, the net benefit to the State general fund is projected to be $637 million after factoring in the receipt of federal matching funds under the American Reinvestment and Recovery Act.

- *Corrections/Rehabilitation*. $244 million in anticipated savings by requiring that certain non-serious, non-violent, non-sex offenders convicted of specified felonies, and who receive a sentence of three years or less, serve such sentences in county jails rather than state prisons.

- *Federal Funding.* As mentioned above, the State has already received federal Medicaid matching funds amounting to approximately $680 million. The May Revision assumes the receipt of an additional $3.4 billion in federal aid, with approximately half coming from the congressional extension of the FMAP program and other federal economic stimulus funds. The LAO notes that this amount is significantly lower than the amount of federal funds assumed by the Proposed 2010-11 Budget, and, accordingly, no "trigger" list of alternative proposals is included in the May Revision.

- *Other Measures*. $1.6 billion of one-time budget relief from the use of special fund monies for State general fund purposes. Also, the May Revision assumes approximately $200 million in savings through the use of federal retiree reinsurance funds to reduce costs associated with the PERS program.

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

Additional information regarding the May Revision may be obtained from the LAO at www.lao.ca.gov.

***Future Budgets and Actions.*** The Legislature has missed the June 2010 date for submitting a budget to the Governor, and no budget has been enacted by the State for fiscal year 2010-11. Continued delays in the enactment of a State budget for the current fiscal year could adversely impact the District, since it could result in delays in expected State funding which is the District's primary revenue source. See "DISTRICT FINANCIAL MATTERS."

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

## TAX MATTERS

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

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

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

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

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

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached as APPENDIX B hereto.

## LEGAL MATTERS

### Continuing Disclosure

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2009-10 fiscal year (which is due not later than April 1, 2011), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of material events is described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Other than its audited financial statements for the fiscal year ended June 30, 2006, the District did not file the reports and notices required within the last five years pursuant to continuing disclosure obligations undertaken in connection with the District's 1999 Series A Bonds and 1999 Series B Bonds. The District has since filed all available information for such reports and notices that were required to be filed within the last five years.

### Bank Qualified

The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### Legality for Investment in California

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

### Absence of Material Litigation

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

### Information Reporting Requirements

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

### Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX B.

**Financial Statements**

Portions of the financial statements with supplemental information for the year ended June 30, 2009, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 20, 2009 of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as APPENDIX A. In connection with the inclusion of portions of the financial statements and the report of the Auditor thereon in APPENDIX A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

## RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's, a Division of The McGraw-Hill Companies ("S&P"), are expected to assign ratings of "Aa3" (negative outlook) and "AAA" (negative outlook), respectively, to the Bonds based upon the issuance of the Policy by the Insurer. Moody's and S&P have assigned underlying ratings of "A2" and "A," respectively, to the Bonds, without regard to the Policy.

Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

## UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $3,386,770.80, which is equal to the initial principal amount of the Bonds of $3,386,770.80, plus original issue premium of $258,835.85, less the Underwriter's discount of $50,801.56, less a bond insurance premium of $40,090.50 and less $167,943.79 of original issue premium to be retained by the Underwriter to pay costs of issuance associated with the Bonds. The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

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

Participants in this bond issue may have made voluntary contribution(s) to support the election authorizing the Bonds. These contributions are reported to the California Secretary of State by the filing of a Major Donor and Independent Expenditure Committee Campaign Statement (California Fair Political Practices Commission Form 461).

## ADDITIONAL INFORMATION

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

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

**GREENFIELD UNION SCHOOL DISTRICT**

By /s/ Elida G. Garza, Ed.D.
Superintendent

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# APPENDIX A

## EXCERPTS FROM THE 2008-09 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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# Greenfield Union School District

Annual Financial Report

June 30, 2009

**GREENFIELD UNION SCHOOL DISTRICT**

**OF MONTEREY COUNTY**

**GREENFIELD, CALIFORNIA**

**JUNE 30, 2009**

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## GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Paul Dake | President | 2009 |
| Robert White | Clerk | 2011 |
| Margarita Fonseca | Member | 2009 |
| Jane Christine Magallon | Member | 2009 |
| Jose Vazquez | Member | 2009 |

## ADMINISTRATION

| | |
|---|---|
| Elida Garza | Superintendent |
| Larry Holguin | Director of Curriculum |
| Melody Canady | Assistant Superintendent, Business |
| Linda Gamble | Director of Special Services |
| Stella McNish | Personnel Supervisor |
| Mary Westfall | Finance Officer |
| Michelle Archuleta | Principal, Ceasar Chavez Elementary School |
| Alicia Estigoy | Principal, Greenfield Elementary School |
| Tina Martinez | Principal, Oak Avenue School |
| Stella Laurel | Principal, Vista Verde Middle School |
| Scott Smith | Assistant Principal, Vista Verde Middle School |

# GREENFIELD UNION SCHOOL DISTRICT

## TABLE OF CONTENTS
## JUNE 30, 2009

# *Financial Section*

# INDEPENDENT AUDITORS' REPORT

Governing Board
Greenfield Union School District
Greenfield, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greenfield Union School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09,* 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Greenfield Union School District, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



6051 N. Fresno Street, Suite 101 Fresno, CA 93710 Tel: 559.248.0871 Fax: 559.248.0875 www.vtdcpa.com

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The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison and other postemployment information on pages 47 and 48, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
November 20, 2009

Superintendent
Elida G. Garza, Ed.D.

# Greenfield Union School District

493 El Camino Real
Greenfield, CA 93927
Telephone (831)674-2840 FAX (831)674-3712

This section of Greenfield Union 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, 2009. 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. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including capital assets). 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 two categories of activities: governmental and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

*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 Greenfield Union School District.

## REPORTING THE DISTRICT AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* 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 assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether *its financial health 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 Assets* and the *Statement of Activities*, we present the District activities as follows:

**Governmental Activities** - The District's services are reported in this category. 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*** - All 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.

## THE DISTRICT AS A TRUSTEE

### Reporting the District's 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 *Statements of Fiduciary Net Assets.* 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

The 2008-2009 budget was enacted two and a half months late and was revised by a package of bills signed by Governor Schwarzenegger on February 20, 2009. The final agreement shared the pain of the reductions almost equally between state categorical programs and revenue limits.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures such as the following mid-year budget cuts:

- Sweep of 17 categorical ending fund balances as of June 30, 2008 to the unrestricted General Fund
- Reduction to all state categorical programs of 15%
- Deficit factor of 7.844%
- Zero percent Cost of Living Adjustment
- $173,000 loss in investments due to Washington Mutual and Lehman Brothers bank closures and a weak federal economy

## THE DISTRICT AS A WHOLE

### Net Assets

The District's net assets were $28.2 million for the fiscal year ended June 30, 2009. Of this amount, $(0.3) million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

| (Amounts in millions) | Governmental Activities | | |
|---|---|---|---|
| | 2009 | 2008 | Variance |
| **Assets** | | | |
| Current and other assets | $ 7.3 | $ 8.2 | $ (0.9) |
| Capital assets | 31.2 | 21.3 | 9.9 |
| **Total Assets** | 38.5 | 29.5 | 9.0 |
| **Liabilities** | | | |
| Current liabilities | 1.8 | 2.0 | (0.2) |
| Long-term obligations | 8.5 | 7.9 | 0.6 |
| **Total Liabilities** | 10.3 | 9.9 | 0.4 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 23.1 | 13.1 | 10.0 |
| Restricted | 5.4 | 4.7 | 0.7 |
| Unrestricted | (0.3) | 1.8 | (2.1) |
| **Total Net Assets** | **$ 28.2** | **$ 19.6** | **$ 8.6** |

The $(0.3) million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. 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**

| (Amounts in millions) | Governmental Activities | | |
|---|---|---|---|
| | 2009 | 2008 | Variance |
| **Revenues** | | | |
| Program revenues: | | | |
| Charges for services | $ - | $ - | $ - |
| Operating grants and contributions | 9.0 | 8.5 | 0.5 |
| Capital grants and contributions | 7.8 | 0.9 | 6.9 |
| General revenues: | | | - |
| Federal and State aid not restricted | 13.1 | 12.5 | 0.6 |
| Property taxes | 3.3 | 3.1 | 0.2 |
| Other general revenues | 1.4 | 1.6 | (0.2) |
| **Total Revenues** | 34.6 | 26.6 | $ 8.0 |
| **Expenses** | | | |
| Instruction-related | 16.8 | 16.5 | 0.3 |
| Student support services | 2.7 | 2.6 | 0.1 |
| Administration | 1.6 | 1.7 | (0.1) |
| Maintenance and operations | 2.1 | 2.0 | 0.1 |
| Other | 2.8 | 3.4 | (0.6) |
| **Total Expenses** | 26.0 | 26.2 | (0.2) |
| **Change in Net Assets** | **$ 8.6** | **$ 0.4** | **$ 8.2** |

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $26.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $3.3 million because the cost was paid by those who benefited from the programs (less than one million) or by other governments and organizations who subsidized certain programs with grants and contributions ($16.8 million). We paid for the remaining "public benefit" portion of our governmental activities with $17.8 million in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, special instruction programs, administration, and plant services. 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

| (Amounts in millions) | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Instruction | 16.8 | 16.5 | $ 3.2 | $ 10.4 |
| Other pupil services | 2.7 | 2.6 | 0.5 | 0.3 |
| General administration | 1.6 | 1.7 | 1.2 | 1.3 |
| Maintenance and operations | 2.1 | 2.0 | 2.0 | 1.8 |
| Other | 2.8 | 3.4 | 2.0 | 3.0 |
| **Total** | **$ 26.0** | **$ 26.2** | **$ 8.9** | **$ 16.8** |

The District's General Fund was originally projected to have no increase. Although revenues were $0.7 million more than was originally expected, expenditures were $1.9 million less than originally projected.

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $5.4 million, which is a decrease of $1.1 million from last year.

The primary reasons for these decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased $1.3 million to $1.9 million. This decrease is due to the State's financial status and the transfer that was made to the Special Reserve Other Fund.
b. Our Special Revenue Funds increased $1.7 million from the prior year.
c. Our Capital Project Funds showed a decrease of approximately $1.4 million due to the completion of construction projects.

### 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 June 30, 2009. (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 47.)

Significant revenue revisions made to the 2008-09 Budget were due to:

- Growth in enrollment of 89 ADA
- Class Size Reduction funding is fixed at the number of classes that were on the 08-09 CSR application which limits the district to 60 classes when the actual number of classes due to growth was 66
- Revenue Limit deficit factor of 7.844%
- Categorical flexibility of Tier III programs

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had $31.2 million 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 just around $9.9 million from last year (Table 4).

**Table 4**

| (Amounts in millions) | Governmental Activities | |
|---|---|---|
| | 2009 | 2008 |
| Land and construction in progress | $ 2.3 | $ 9.8 |
| Buildings and improvements | 28.8 | 11.4 |
| Equipment | 0.1 | 0.1 |
| **Total** | **$ 31.2** | **$ 21.3** |

### Long-Term Obligations

At the end of this year, the District had $8.5 million in debt outstanding versus $8.2 million last year, an increase of 3.5 percent. The debt consisted of:

**Table 5**

| (Amounts in millions) | Governmental Activities | | |
|---|---|---|---|
| | 2009 | 2008 | Variance |
| General obligation bonds | | | |
| Series A - 1999 Current Interest | $ 1.9 | $ 2.1 | $ (0.2) |
| Series A - 1999 Capital Appreciation | 2.6 | 2.5 | 0.1 |
| Series B - 2005 Current Interest | 2.9 | 2.9 | - |
| Series B - 2005 Capital Appreciation | 0.5 | 0.4 | 0.1 |
| Accumulated vacation - net | 0.1 | 0.1 | - |
| Capital leases | 0.3 | 0.2 | 0.1 |
| Other postemployment benefits | 0.2 | - | 0.2 |
| **Total** | **$ 8.5** | **$ 8.2** | **$ 0.3** |

We present more detailed information regarding our long-term obligations in Notes to the Financial Statements.

## SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008 - 09 ARE NOTED BELOW:

In December 2008 the school district finished new construction of the replacement school for Cesar E. Chavez Elementary School on Apple Avenue. After returning from Winter break in January 2009 the students started classes in their new school.

Due to the many hours of professional development taken by the teachers and administrators during the 2008-2009 school year, Oak Avenue Elementary School's test score increased by 50 points, and Cesar Chavez Elementary School's test scores made safe harbor.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's Budget for the 2010 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income. Based on prior year P-2 ADA, no COLA, and a deficit factor of 17.967%
2. Interest earnings will decrease significantly due to an anticipated reduction in market interest rates and a lower cash flow due to more state deferrals of apportionments
3. Federal income will increase due to the American Recovery and Reinvestment Act (ARRA) funds
4. State income for Class Size Reduction will decrease due to the fixed number of classes funded at 60 classes while the District continues to grow by approximately 100 CSR students per year

## 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 Greenfield Union Elementary School District, Melody Canady, Greenfield, California, 831-674-2840, or e-mail at mcanady@greenfield.k12.ca.us.

# GREENFIELD UNION SCHOOL DISTRICT

## STATEMENT OF NET ASSETS
## JUNE 30, 2009

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 3,676,331 |
| Receivables | 3,596,709 |
| Stores inventories | 21,859 |
| Nondepreciable capital assets | 2,274,770 |
| Depreciable capital assets | 42,332,364 |
| Accumulated depreciation | (13,360,920) |
| **Total Assets** | 38,541,113 |
| **LIABILITIES** | |
| Overdrafts | 201,448 |
| Accounts payable | 1,412,198 |
| Deferred revenue | 268,576 |
| Current portion of long-term obligations | 254,180 |
| Noncurrent portion of long-term obligations | 8,245,916 |
| **Total Liabilities** | 10,382,318 |
| **NET ASSETS** | |
| Invested in capital assets, net of related debt | 23,042,790 |
| Restricted for: | |
| Debt service | 340,685 |
| Capital projects | 132,898 |
| Educational programs | 1,852,422 |
| Other activities | 3,081,672 |
| Unrestricted | (291,672) |
| **Total Net Assets** | $ 28,158,795 |

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

GREENFIELD UNION SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2009

| | | Program Revenues | | |
|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services and Sales** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **Governmental Activities:** | | | | |
| Instruction | $ 14,125,332 | $ - | $ 4,226,689 | $ 7,771,965 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 1,181,263 | - | 1,192,542 | - |
| Instructional library, media, and technology | 131,001 | - | 97,371 | - |
| School site administration | 1,402,030 | - | 101,855 | - |
| Pupil services: | | | | |
| Home-to-school transportation | 354,043 | - | 214,347 | - |
| Food services | 1,211,926 | 20,074 | 1,205,218 | - |
| All other pupil services | 1,144,025 | - | 760,738 | - |
| Administration: | | | | |
| Data processing | 120,412 | - | - | - |
| All other administration | 1,479,548 | - | 411,275 | - |
| Plant services | 2,127,993 | 660 | 142,560 | - |
| Ancillary services | 25,947 | - | - | - |
| Interest on long-term obligations | 442,993 | - | - | - |
| Other outgo | 2,225,528 | - | 658,097 | - |
| **Total Governmental Activities** | $ 25,972,041 | $ 20,734 | $ 9,010,692 | $ 7,771,965 |

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Interagency revenues

Miscellaneous

**Subtotal, General Revenues**

**Change in Net Assets**

Net Assets - Beginning

Net Assets - Ending

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

| Net (Expenses) Revenues and Changes in Net Assets |
| --- |
| Governmental Activities |
| $ (2,126,678) |
| 11,279 |
| (33,630) |
| (1,300,175) |
| (139,696) |
| 13,366 |
| (383,287) |
| (120,412) |
| (1,068,273) |
| (1,984,773) |
| (25,947) |
| (442,993) |
| (1,567,431) |
| (9,168,650) |
| 2,403,009 |
| 424,806 |
| 446,984 |
| 13,079,715 |
| (58,377) |
| 21,033 |
| 1,425,216 |
| 17,742,386 |
| 8,573,736 |
| 19,585,059 |
| $ 28,158,795 |

# GREENFIELD UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS
## BALANCE SHEET
## JUNE 30, 2009

| | General Fund | Special Reserve Non-Capital Fund | County School Facilities Fund |
|---|---|---|---|
| **ASSETS** | | | |
| Deposits and investments | $ 2,651,083 | $ 363,866 | $ - |
| Receivables | 3,296,807 | - | - |
| Due from other funds | 347,198 | 2,715,857 | 22,424 |
| Stores inventories | - | - | - |
| **Total Assets** | $ 6,295,088 | $ 3,079,723 | $ 22,424 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities:** | | | |
| Overdrafts | $ - | $ - | $ 22,426 |
| Accounts payable | 1,373,510 | - | - |
| Due to other funds | 2,795,580 | 280,022 | - |
| Deferred revenue | 268,576 | - | - |
| **Total Liabilities** | 4,437,666 | 280,022 | 22,426 |
| **Fund Balances:** | | | |
| Reserved for: | | | |
| Revolving cash | 5,000 | - | - |
| Stores inventories | - | - | - |
| Legally restricted balances | 1,852,422 | - | - |
| Unreserved: | | | |
| Designated | - | 2,799,701 | - |
| Undesignated, reported in: | | | |
| Special revenue funds | - | - | - |
| Debt service funds | - | - | - |
| Capital projects funds | - | - | (2) |
| **Total Fund Balance** | 1,857,422 | 2,799,701 | (2) |
| **Total Liabilities and Fund Balances** | $ 6,295,088 | $ 3,079,723 | $ 22,424 |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| $ 661,382 | $ 3,676,331 |
| 299,902 | 3,596,709 |
| 79,817 | 3,165,296 |
| 21,859 | 21,859 |
| $ 1,062,960 | $ 10,460,195 |
| | |
| $ 179,022 | $ 201,448 |
| 38,688 | 1,412,198 |
| 89,694 | 3,165,296 |
| - | 268,576 |
| 307,404 | 5,047,518 |
| | |
| - | 5,000 |
| 21,859 | 21,859 |
| - | 1,852,422 |
| - | 2,799,701 |
| 260,112 | 260,112 |
| 340,685 | 340,685 |
| 132,900 | 132,898 |
| 755,556 | 5,412,677 |
| $ 1,062,960 | $ 10,460,195 |

GREENFIELD UNION SCHOOL DISTRICT

# RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
## JUNE 30, 2009

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | **$ 5,412,677** |
| **Amounts Reported for Governmental Activities in the Statement of Net Assets 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 | $ 44,607,134 | |
| Accumulated depreciation is | (13,360,920) | |
| Net Capital Assets | | 31,246,214 |
| Long-term obligations at year-end consist of: | | |
| General Obligation Bonds | (7,913,763) | |
| Capital lease obligations | (289,661) | |
| Net - Other postemployment benefits obligation | (206,690) | |
| Compensated absences (vacations) | (89,982) | |
| Total Long-Term Obligations | | (8,500,096) |
| **Total Net Assets - Governmental Activities** | | **$ 28,158,795** |

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

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## GREENFIELD UNION SCHOOL DISTRICT

## GOVERNMENTAL FUNDS
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2009

| | General Fund | Special Reserve Non-Capital Fund | County School Facilities Fund |
|---|---|---|---|
| **REVENUES** | | | |
| Revenue limit sources | $ 13,647,319 | $ - | $ - |
| Federal sources | 3,335,286 | - | - |
| Other State sources | 5,345,871 | - | 8,004,930 |
| Other local sources | 1,521,838 | - | - |
| **Total Revenues** | 23,850,314 | - | 8,004,930 |
| **EXPENDITURES** | | | |
| Current | | | |
| Instruction | 12,991,255 | - | - |
| Instruction-related activities: | | | |
| Supervision of instruction | 1,084,306 | - | - |
| Instructional library, media and technology | 120,647 | - | - |
| School site administration | 1,210,922 | - | - |
| Pupil services: | | | |
| Home-to-school transportation | 322,876 | - | - |
| Food services | - | - | - |
| All other pupil services | 1,057,647 | - | - |
| Administration: | | | |
| Data processing | 119,842 | - | - |
| All other administration | 1,363,857 | - | - |
| Plant services | 1,730,139 | - | 76,445 |
| Facility acquisition and construction | 19,389 | - | 10,818,483 |
| Ancillary services | 25,088 | - | - |
| Other outgo | 2,225,528 | - | - |
| Debt service | | | |
| Principal | - | - | - |
| Interest and other | - | - | - |
| **Total Expenditures** | 22,271,496 | - | 10,894,928 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 1,578,818 | - | (2,889,998) |
| **Other Financing Sources (Uses)** | | | |
| Transfers in | 280,022 | 3,095,113 | 2,889,996 |
| Transfers out | (3,160,253) | (295,412) | - |
| **Net Financing Sources (Uses)** | (2,880,231) | 2,799,701 | 2,889,996 |
| **NET CHANGE IN FUND BALANCES** | (1,301,413) | 2,799,701 | (2) |
| **Fund Balance - Beginning** | 3,158,835 | - | - |
| **Fund Balance - Ending** | $ 1,857,422 | $ 2,799,701 | $ (2) |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|---|---|
| $ - | $ 13,647,319 |
| 1,598,224 | 4,933,510 |
| 420,209 | 13,771,010 |
| 761,771 | 2,283,609 |
| 2,780,204 | 34,635,448 |
| | |
| 442,789 | 13,434,044 |
| | |
| 94,459 | 1,178,765 |
| - | 120,647 |
| 63,416 | 1,274,338 |
| | |
| - | 322,876 |
| 1,188,535 | 1,188,535 |
| 73,245 | 1,130,892 |
| | |
| - | 119,842 |
| 45,986 | 1,409,843 |
| 235,577 | 2,042,161 |
| - | 10,837,872 |
| - | 25,088 |
| - | 2,225,528 |
| - | |
| 217,240 | 217,240 |
| 251,161 | 251,161 |
| 2,612,408 | 35,778,832 |
| | |
| 167,796 | (1,143,384) |
| | |
| 65,140 | 6,330,271 |
| (2,874,606) | (6,330,271) |
| (2,809,466) | - |
| (2,641,670) | (1,143,384) |
| 3,397,226 | 6,556,061 |
| $ 755,556 | $ 5,412,677 |

## GREENFIELD UNION SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | | **$ (1,143,384)** |
| **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 Assets 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 in the period. | | |
| Depreciation expense | $ (859,139) | |
| Capital outlays | 10,848,847 | |
| Net Expense Adjustment | | 9,989,708 |
| Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Assets. | | (89,671) |
| In the Statement of Activities, certain operating expenses, such as 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 less than the amounts earned by: | | (1,635) |
| Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets: | | |
| Series A - 1999 Current Interest | | 150,000 |
| Series B - 2005 Current Interest | | 20,000 |
| Capital lease obligations | | 47,240 |
| Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest expense reflected in related to the interest that has accreted and is now due on the Capital Appreciation Bonds. | | (191,832) |

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 DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued
## FOR THE YEAR ENDED JUNE 30, 2009

| | |
|---|---|
| In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: | $ (206,690) |
| **Change in Net Assets of Governmental Activities** | **$ 8,573,736** |

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

# GREENFIELD UNION SCHOOL DISTRICT

## FIDUCIARY FUNDS
## STATEMENT OF NET ASSETS
## JUNE 30, 2009

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 2,123 |
| **Total Assets** | $ 2,123 |
| **LIABILITIES** | |
| Due to student groups | $ 2,123 |
| **Total Liabilities** | $ 2,123 |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Entity

The Greenfield Union School District was organized 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 - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one middle school, providing instruction from grades kindergarten through grade eight, preschool, and community education programs.

A reporting entity is comprised of the primary government 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 Greenfield Union School District, this includes general operations, food service, and student related activities of the District.

### 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 a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

**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 lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) 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.).

**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 or for major capital projects) that are restricted to the financing of particular activities:

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**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).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**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.

**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).

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

**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).

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is agency funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

**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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues 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 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 assets should be reported as restricted when constraints placed on net asset use 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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

**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 balance 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.

**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.

**Deferred Revenue** Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

**Investments**

Investments held at June 30, 2009, 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 treasury investment pool are determined by the program sponsor.

### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### 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.

### 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 assets. 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.

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, 5 to 50 years; equipment, 2 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 column of the *Statement of Net Assets*.

### 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 assets.

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 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, compensated absences 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 and capital leases are recognized as liabilities in the governmental fund financial statements when due.

**Fund Balance Reserves and Designations**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, and other purposes.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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 assets are available. The government-wide financial statements reports $5,407,677 of restricted net assets, of which $2,607,976 is restricted by enabling legislation.

**Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

**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 Monterey bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

**Changes in Accounting Principles**

In July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District's annual required contribution (ARC) was $354,459 for the year ended June 30, 2009, and made a contribution of $353,835, which was more than the actuarial "pay-as-you-go" costs. The actuarial estimated "pay-as-you-go" amount of $147,769 was deducted from the ARC which resulted in a net OPEB obligation of $206,690.

**New Accounting Pronouncements**

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental activities | $ 3,676,331 |
| Fiduciary funds | 2,123 |
| Total Deposits and Investments | $ 3,678,454 |

Deposits and investments as of June 30, 2009, consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $ 5,129 |
| Cash in revolving | 5,000 |
| Investments | 3,668,325 |
| Total Deposits and Investments | $ 3,678,454 |

### 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 |

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County 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.

### Segmented Time Distribution

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

| Investment Type | Fair Value | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | More Than 60 Months |
|---|---|---|---|---|---|
| County Pool | $ 3,668,325 | $ 3,668,325 | $ - | $ - | $ - |

**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 county pool is not required to be rated, nor has it been rated as of June 30, 2009.

| Investment Type | Fair Value | Minimum Legal Rating | Rating as of Year End AAA | AA | Unrated |
|---|---|---|---|---|---|
| County Pool | $ 3,668,325 | N/A | $ - | $ - | $ 3,668,325 |

N/A - Not applicable

**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, 2009, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent.

## NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Federal Government | | | |
| Categorical aid | $ 828,365 | $ 285,721 | $ 1,114,086 |
| State Government | | | |
| Apportionment | 1,808,780 | - | 1,808,780 |
| Categorical aid | 375,561 | 14,181 | 389,742 |
| Lottery | 162,423 | - | 162,423 |
| Other State | 115,334 | - | 115,334 |
| Local Sources | 6,344 | - | 6,344 |
| Total | $ 3,296,807 | $ 299,902 | $ 3,596,709 |

## NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

| | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 2,255,381 | $ - | $ - | $ 2,255,381 |
| Construction in Progress | 7,526,688 | | 7,507,299 | 19,389 |
| Total Capital Assets Not Being Depreciated | 9,782,069 | - | 7,507,299 | 2,274,770 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 4,715,159 | - | - | 4,715,159 |
| Buildings and Improvements | 18,143,870 | 18,345,171 | - | 36,489,041 |
| Furniture and Equipment | 1,117,189 | 10,975 | - | 1,128,164 |
| Total Capital Assets Being Depreciated | 23,976,218 | 18,356,146 | - | 42,332,364 |
| Total Capital Assets | 33,758,287 | 18,356,146 | 7,507,299 | 44,607,134 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | 3,797,034 | 278,244 | - | 4,075,278 |
| Buildings and Improvements | 7,728,340 | 551,112 | - | 8,279,452 |
| Furniture and Equipment | 976,407 | 29,783 | - | 1,006,190 |
| Total Accumulated Depreciation | 12,501,781 | 859,139 | - | 13,360,920 |
| Governmental Activities Capital Assets, Net | $ 21,256,506 | $ 17,497,007 | $ 7,507,299 | $ 31,246,214 |

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

| | |
|---|---|
| Governmental Activities | |
| Instruction | $ 567,032 |
| School site administration | 111,688 |
| Home-to-school transportation | 17,183 |
| Food services | 34,366 |
| All other pupil services | 859 |
| All other administration | 60,140 |
| Plant services | 67,871 |
| Total Depreciation Expenses Governmental Activities | $ 859,139 |

## NOTE 5 - 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 consist of amounts owed from one fund to another. Interfund receivable and payable balances at June 30, 2009, are as follows:

| | Interfund Receivables | Interfund Payables |
|---|---|---|
| Major Governmental Funds | | |
| General | $ 347,198 | $ 2,795,580 |
| Special Reserve - Other | 2,715,857 | 280,022 |
| County School Facilities | 22,424 | - |
| Total Major Governmental Funds | 3,085,479 | 3,075,602 |
| Non-Major Governmental Funds | 79,817 | 89,694 |
| Total All Governmental Funds | $ 3,165,296 | $ 3,165,296 |

### Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

| | |
|---|---|
| The General Fund transferred to the Child Development Fund to cover excess Preschool operating costs. | $ 65,140 |
| The General Fund transferred to the Special Reserve Other than Capital Outlay Fund for the District contribution for economic uncertainty, possible future revenue cuts and GASB Statement 45. | 3,095,113 |
| The Special Reserve Other than Capital Outlay Fund transferred to the County School Facilities Fund for the District contribution for the new school construction. | 15,390 |
| The Special Reserve Other than Capital Outlay Fund transferred to the General Fund to repay the J7CSR accounts receivable reduction and the ABX4 3 categorical accruals. | 280,022 |
| The Special Reserve for Capital Outlay Fund transferred to the County School Facilities Fund for the District contribution for the new school construction. | 1,315,236 |
| The Capital Facilities Fund transferred to the County School Facilities Fund for the District contribution for the new school construction. | 1,559,370 |
| Total | $ 6,330,271 |

## NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Vendor payables | $ 546,678 | $ 38,688 | $ 585,366 |
| State apportionment | 92,183 | - | 92,183 |
| Deferred payroll | 734,649 | - | 734,649 |
| Total | $ 1,373,510 | $ 38,688 | $ 1,412,198 |

## NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

| | General Fund |
|---|---|
| Federal financial assistance | $ 217,865 |
| State categorical aid | 50,711 |
| Total | $ 268,576 |

## NOTE 8 - LONG-TERM OBLIGATIONS

### Summary

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

| | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 | Due in One Year |
|---|---|---|---|---|---|
| General obligation bonds | | | | | |
| Series A - 1999 Current Interest | $ 2,085,000 | $ - | $ 150,000 | $ 1,935,000 | $ 175,000 |
| Series A - 1999 Capital Appreciation | 2,479,919 | 167,800 | - | 2,647,719 | - |
| Series B - 2005 Current Interest | 2,879,000 | - | 20,000 | 2,859,000 | 30,000 |
| Series B - 2005 Capital Appreciation | 448,012 | 24,032 | - | 472,044 | - |
| Compensated absences - net | 88,347 | 1,635 | - | 89,982 | - |
| Capital leases | 247,230 | 89,671 | 47,240 | 289,661 | 49,180 |
| Other postemployment benefits | - | 354,459 | 147,769 | 206,690 | - |
| Total | $ 8,227,508 | $ 637,597 | $ 365,009 | $ 8,500,096 | $ 254,180 |

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from tax assessments approved by the voters in the District. The compensated absences and other postemployment benefits obligations will be paid by the fund for which the employee worked. The capital leases will be paid by the Capital Facilities Fund.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2008 | Accreted | Redeemed | Bonds Outstanding June 30, 2009 |
|---|---|---|---|---|---|---|---|
| 6/1/1999 | 2024 | 3.50-5.65% | $3,999,630 | $ 4,564,919 | $ 167,800 | $ 150,000 | $ 4,582,719 |
| 2/3/2005 | 2029 | 3.00-5.34% | 3,298,636 | 3,327,012 | 24,032 | 20,000 | 3,331,044 |
| | Total | | | $ 7,891,931 | $ 191,832 | $ 170,000 | $ 7,913,763 |

**Debt Service Requirements to Maturity**

General Obligation Bonds – Series A 1999

On June 1, 1999, the District issued General Obligation Bonds Series A, in the amount of $3,999,630, to be used to enlarge, renovate, and modernize existing school facilities throughout the District. These serial bonds, with interest rates from 3.50 percent to 5.65 percent, mature in varying amounts through 2025.

The bonds mature through 2016 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2010 | $ 175,000 | $ 92,395 | $ 267,395 |
| 2011 | 205,000 | 83,362 | 288,362 |
| 2012 | 235,000 | 72,685 | 307,685 |
| 2013 | 265,000 | 60,303 | 325,303 |
| 2014 | 305,000 | 45,976 | 350,976 |
| 2015-2016 | 750,000 | 39,737 | 789,737 |
| Total | $ 1,935,000 | $ 394,458 | $ 2,329,458 |

Capital Appreciation Bonds: 1999

The bonds mature through 2025 as follows:

| Year of Maturity | Accreted Value | Unaccreted Interest | Final Maturity |
|---|---|---|---|
| 2017 | $ 262,717 | $ 192,283 | $ 455,000 |
| 2018 | 261,562 | 228,438 | 490,000 |
| 2019 | 259,140 | 265,860 | 525,000 |
| 2020 | 255,472 | 304,528 | 560,000 |
| 2021 | 293,811 | 301,189 | 595,000 |
| 2022 | 325,755 | 309,245 | 635,000 |
| 2023 | 327,510 | 347,490 | 675,000 |
| 2024 | 330,048 | 389,952 | 720,000 |
| 2025 | 331,704 | 433,296 | 765,000 |
| Total | $ 2,647,719 | $ 2,772,281 | $ 5,420,000 |

**General Obligation Bonds – Series B**

On February 3, 2005, the District issued General Obligation Bonds in the amount of $3,298,636, to provide funds to finance capital projects for the District and to refund the District's Series A Certificates of Participation. These bonds, with interest rates from 3.00 percent to 5.34 percent, mature in varying amounts through August 2028.

The bonds mature through 2027 as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2010 | $ 30,000 | $ 137,066 | $ 167,066 |
| 2011 | 40,000 | 136,016 | 176,016 |
| 2012 | 50,000 | 134,666 | 184,666 |
| 2013 | 60,000 | 132,979 | 192,979 |
| 2014 | 70,000 | 130,641 | 200,641 |
| 2015-2019 | 580,000 | 600,958 | 1,180,958 |
| 2020-2024 | 1,034,000 | 414,751 | 1,448,751 |
| 2025-2027 | 995,000 | 81,769 | 1,076,769 |
| Total | $ 2,859,000 | $ 1,768,846 | $ 4,627,846 |

Capital Appreciation Bonds: 2005

The bonds mature through 2025 as follows:

| Year of Maturity | Accreted Value | Unaccreted Interest | Final Maturity |
|---|---|---|---|
| 2027 | $ 159,327 | $ 245,673 | $ 405,000 |
| 2028 | 157,590 | 267,410 | 425,000 |
| 2029 | 155,127 | 289,873 | 445,000 |
| Total | $ 472,044 | $ 802,956 | $ 1,275,000 |

**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2009, amounted to $89,982.

**Capital Leases**

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

| | |
|---|---|
| Balance, July 1, 2008 | $ 247,230 |
| Additions | 89,671 |
| Payments | 47,240 |
| Balance, July 1, 2009 | $ 289,661 |

The capital leases have minimum lease payments as follows:

| Year Ending June 30, | Lease Payment |
|---|---|
| 2010 | $ 60,956 |
| 2011 | 60,956 |
| 2012 | 60,956 |
| 2013 | 60,956 |
| 2014 | 42,956 |
| 2015 | 44,491 |
| Total | 331,271 |
| Less: Amount Representing Interest | 41,610 |
| Present Value of Minimum Lease Payments | $ 289,661 |

**Other Postemployment Benefit (OPEB) Obligation**

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution (ARC) was $354,459 for the year ended June 30, 2009, and made a contribution of $353,835, which was more than the actuarial "pay-as-you-go" costs. The actuarial estimated "pay-as-you-go" amount of $147,769 was deducted from the ARC which resulted in a net OPEB obligation of $206,690. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

## NOTE 9 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

| | General Fund | Special Reserve Non-Capital Fund | County School Facilities Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|
| Reserved | | | | | |
| Revolving cash | $ 5,000 | $ - | $ - | $ - | $ 5,000 |
| Stores inventory | - | - | - | 21,859 | 21,859 |
| Restricted programs | 1,852,422 | - | - | - | 1,852,422 |
| Total Reserved | 1,857,422 | - | - | 21,859 | 1,879,281 |
| Unreserved | | | | | |
| Designated | | | | | |
| Economic uncertainties | - | 1,000,513 | - | | 1,000,513 |
| Other designation | - | 1,799,188 | - | - | 1,799,188 |
| Total Designated | - | 2,799,701 | - | - | 2,799,701 |
| Undesignated | - | - | (2) | 733,697 | 733,695 |
| Total Unreserved | - | 2,799,701 | (2) | 733,697 | 3,533,396 |
| Total | $ 1,857,422 | $ 2,799,701 | $ (2) | $ 755,556 | $ 5,412,677 |

At June 30, 2009, the County School Facilities Fund ended the year with a deficit fund balance of $2.

## NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2009, the following District major funds exceeded the budgeted amounts in total as follows:

| | Expenditures and Other Uses | | |
|---|---|---|---|
| Funds | Budget | Actual | Excess |
| General | | | |
| Certificated salaries | $ 9,590,002 | $ 9,669,669 | $ 79,667 |
| Capital outlay | $ - | $ 19,388 | $ 19,388 |
| County School Facilities | | | |
| Capital outlay | $ - | $ 52,952 | $ 52,952 |

## NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

### Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Greenfield Union School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 17 retirees and beneficiaries currently receiving benefits and 228 active plan members.

### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (GTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, GTA, CSEA and the unrepresented groups. For fiscal year 2008-09, the District contributed $150,447 to the plan, all of which was used for current premiums (approximately 42.5 percent of total premiums). Plan members receiving benefits contributed $203,388, or approximately 57.5 percent of the total 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 | $ 354,459 |
| Annual OPEB cost (expense) | (147,769) |
| Increase in net OPEB obligation | 206,690 |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | $ 206,690 |

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

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2009 | $ 354,459 | 42% | $ 206,690 |

### Funded Status and Funding Progress

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. Since this is the first year of implementation, only the current year information is presented.

### 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 June 9, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a five 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 ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 9, 2009, was 29 years. The actuarial value of assets was not determined in this actuarial valuation.

## NOTE 12 - RISK MANAGEMENT

### Employee Medical Benefits

The District has contracted with the Monterey County Schools Insurance Group (MCSIG) to provide employee health benefits. MCSIG is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

### Workers' Compensation

For fiscal year 2009, the District participated in the Monterey County Schools Workers' Compensation (MCSWC), an insurance purchasing pool. The intent of MCSWC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MCSWC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in MCSWC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of MCSWC. Participation in MCSWC is limited to districts that can meet MCSWC selection criteria. The firm of Keenan and Associates provides administrative, cost control, and actuarial services to the JPA.

### 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, 2009, the District contracted with Monterey and San Benito Counties Liability and Property Self-Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

## NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

### CalSTRS

#### Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

#### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were $765,156, $759,748, and $728,892, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were $368,156, $469,208, and $443,974, respectively, and equal 100 percent of the required contributions for each year.

### 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 $418,934 (4.517 percent of annual payroll). 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 budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 14 - 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, 2009.

### Litigation

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

### Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Move portables from Cesar Chavez Elementary School to Vista Verde Middle School | $ 330,600 | 06/30/10 |

## NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Monterey County Schools Insurance Group (MCSIG), Monterey County Schools Workers' Compensation (MCSWC), and the Monterey and San Benito Counties Liability and Property Self-Insurance Authority (MSBCLPSIA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the governing board of MCSIG.

During the year ended June 30, 2009, the District made payments of $2,259,306 to MCSIG for employee medical, dental, and vision benefits.

The District has no board members appointed to the governing board of MCSWC.

During the year ended June 30, 2009, the District made payment of $495,286 to MCSWC for workers' compensation insurance.

The District has no board members appointed to the governing board of MSBCLPSIA.

During the year ended June 30, 2009, the District made payments of $100,487 to MSBCLPSIA for property and liability insurance coverage.

## NOTE 16 - SUBSEQUENT EVENT

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of $24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, $1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill $1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

**NOTE 17 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS**

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

## *REQUIRED SUPPLEMENTARY INFORMATION*

## GREENFIELD UNION SCHOOL DISTRICT

## GENERAL FUND
## BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts (GAAP Basis) | | Actual[1] | Variances - Favorable (Unfavorable) |
|---|---|---|---|---|
| | Original | Final | (GAAP Basis) | Final to Actual |
| **REVENUES** | | | | |
| Revenue limit sources | $13,684,861 | $13,088,908 | $ 13,647,319 | $ 558,411 |
| Federal sources | 1,976,187 | 3,231,430 | 3,335,286 | 103,856 |
| Other state sources | 4,935,896 | 5,286,920 | 4,926,937 | (359,983) |
| Other local sources | 810,041 | 1,424,493 | 1,521,838 | 97,345 |
| **Total Revenues** | 21,406,985 | 23,031,751 | 23,431,380 | 399,629 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Certificated salaries | 9,506,663 | 9,590,002 | 9,669,669 | (79,667) |
| Classified salaries | 2,369,719 | 2,649,949 | 2,559,732 | 90,217 |
| Employee benefits | 4,514,771 | 4,731,473 | 4,686,591 | 44,882 |
| Books and supplies | 1,427,628 | 2,164,055 | 988,260 | 1,175,795 |
| Services and operating | 1,477,874 | 2,380,890 | 1,749,381 | 631,509 |
| Capital outlay | - | - | 19,388 | (19,388) |
| Other outgo | 2,022,757 | 2,195,129 | 2,179,541 | 15,588 |
| **Total Expenditures** | 21,319,412 | 23,711,498 | 21,852,562 | 1,858,936 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 87,573 | (679,747) | 1,578,818 | 2,258,565 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers in | 15,000 | - | 280,022 | 280,022 |
| Transfers out | 102,085 | 858,512 | (3,160,253) | 4,018,765 |
| **Net Financing Sources (Uses)** | 117,085 | 858,512 | (2,880,231) | 4,298,787 |
| **NET CHANGE IN FUND BALANCES** | 204,658 | 178,765 | (1,301,413) | 6,557,352 |
| **Fund Balance - Beginning** | 3,158,835 | 3,158,835 | 3,158,835 | - |
| **Fund Balance - Ending** | $ 3,363,493 | $ 3,337,600 | $ 1,857,422 | $ 6,557,352 |

[1] On behalf payments are excluded from the actual revenues and expenditures.

# GREENFIELD UNION SCHOOL DISTRICT

# SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
# FOR THE YEAR ENDED JUNE 30, 2009

**Schedule of Funding Progress**

| 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) |
|---|---|---|---|---|---|---|
| June 9, 2009 | $ - | $ 2,194,346 | $ 2,194,346 | $ - | $ 11,818,366 | 18.57% |

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## APPENDIX B

## FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:*

[Closing Date]

Board of Trustees
Greenfield Union School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $3,386,770.80 Greenfield Union School District General Obligation Bonds, Election of 2010, Series 2010 (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Chapter 1.5 of Part 10 of Division 1 of Title 1 of the California Education Code, a vote of fifty-five percent or more of the qualified electors of the Greenfield Union School District (the "District") voting at an election held on June 8, 2010, and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest is not included as an adjustment in the calculation of alternative minimum taxable income.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond.

Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

## APPENDIX C

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Greenfield Union School District (the "District") in connection with the issuance of $3,386,770.80 General Obligation Bonds, Election of 2010, Series 2010 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated August 30, 2010 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

"Dissemination Agent" shall mean initially Isom Advisors, A Division of Urban Futures Incorporated, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

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

"Participating Underwriter" shall mean Piper Jaffray & Co. or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2009-10 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

SECTION 4. Content and Form of Annual Reports.

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

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

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

(A) State funding received by the District for the last completed fiscal year;

(B) Average daily attendance of the District for the last completed fiscal year;

(C) Outstanding District indebtedness;

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

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

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.

2. non-payment related defaults.

3. modifications to rights of Bondholders.

4. optional, contingent or unscheduled bond calls.

5. defeasances.

6. rating changes.

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.

9. unscheduled draws on credit enhancement reflecting financial difficulties.

10. substitution of the credit or liquidity providers or their failure to perform.

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

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repository or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) 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 pursuant to the Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

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

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

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

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

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

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

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

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: October 20, 2010

GREENFIELD UNION SCHOOL DISTRICT

By ________________________________________

**EXHIBIT A**

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: GREENFIELD UNION SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, Election of 2010, Series 2010

Date of Issuance: October 20, 2010

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

Dated:_______________________

GREENFIELD UNION SCHOOL DISTRICT

By ______[form only; no signature required]_________

## APPENDIX D

## GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF GREENFIELD AND THE COUNTY OF MONTEREY

*The following information regarding economic activity within the City of Greenfield (the "City") and the County in which the District is located is provided as background information only, to describe the general economic health of the region. However, the District encompasses a relatively small area within the County and the property tax required to be levied by the County to repay the Bonds will be levied only on property located in the District.*

### Introduction

The County borders the Pacific Ocean almost at the midpoint of the California coastline, approximately 130 miles south of San Francisco and 240 miles north of Los Angeles and was incorporated in 1850 as one of the State's original 27 counties. The County covers an area of approximately 3,300 square miles, with a population in excess of 400,000. Agriculture, tourism and government are major contributors to the County's economy. The Salinas Valley, located in the eastern portion of the County, is a rich agricultural center and one of the nation's major vegetable-producing areas. The Monterey Peninsula, famed for its scenic beauty, is a year-round tourist attraction. Pebble Beach, Cypress Point, Spyglass Hill, Poppy Hills and The Links at Spanish Bay are well known Monterey Peninsula golf courses. The Monterey Bay Aquarium and the City of Carmel also are attractions that draw tourists to the Monterey Peninsula.

The City of Greenfield lies in the center of the Salinas Valley and is centrally located 330 miles north of Los Angeles and 135 miles south of San Francisco. The City is governed by a City Manager form of government and has a five-member City Council. It's location in the central Salinas Valley is one of the most productive agricultural areas in the world, and agriculture is the dominant force in the City's economy with over $2 billion of fruits and vegetables produced and shipped annually throughout the United States and abroad. The area is also considered a premier wine grape growing region, with over 20 vineyards and wineries located within a 30 mile radius. and has experienced an expansion of wineries and wine tasting rooms that has increased local tourism.

### Population

The population of the County in 2010 is estimated to be 435,878, with approximately 4.1% of the County's population living in the City. The County's population has increased by 8.5% between 2000 and 2010, representing an average annual compound growth rate of approximately 0.7%. The City has grown by 41.5% over the same time period, for an average annual compound growth rate of approximately 3.2%.

## POPULATION
## City of Greenfield, Monterey County and State of California
## 2000-2010

| | City of Greenfield | | County of Monterey | | State of California | |
|---|---|---|---|---|---|---|
| Year[1] | Population | % Change | Population | % Change | Population | % Change |
| 2000[2] | 12,648 | -- | 401,762 | -- | 33,873,086 | -- |
| 2001 | 12,747 | 0.8% | 406,766 | 1.2% | 34,430,970 | 1.6% |
| 2002 | 12,945 | 1.6 | 412,023 | 1.3 | 35,063,959 | 1.8 |
| 2003 | 13,142 | 1.5 | 417,088 | 1.2 | 35,652,700 | 1.7 |
| 2004 | 13,260 | 0.9 | 420,479 | 0.8 | 36,199,342 | 1.5 |
| 2005 | 13,343 | 0.6 | 421,022 | 0.1 | 36,676,931 | 1.3 |
| 2006 | 15,363 | 15.1 | 420,691 | (0.1) | 37,087,005 | 1.1 |
| 2007 | 16,524 | 7.6 | 422,184 | 0.4 | 37,463,609 | 1.0 |
| 2008 | 17,223 | 4.2 | 426,352 | 1.0 | 37,871,509 | 1.1 |
| 2009 | 17,512 | 1.7 | 431,041 | 1.1 | 38,255,508 | 1.0 |
| 2010 | 17,898 | 2.2 | 435,878 | 1.1 | 38,648,090 | 1.0 |

(1) As of January 1.
(2) As of April 1.
*Source: 2000: U.S. Department of Commerce, Bureau of the Census, for April 1.*
*2001-10 (2000 DRU Benchmark): California Department of Finance for January 1.*

### Industry

The County employment centers around services, retail trade and government. The following table shows the estimated number of members of the labor force by industry group over a five-year period.

## ANNUAL AVERAGE LABOR FORCE AND INDUSTRY EMPLOYMENT
## County of Monterey
## 2005-2009

| Type of Employment | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Total Farm | 42,400 | 40,400 | 41,600 | 43,300 | 43,200 |
| Mining & Logging | 200 | 200 | 200 | 200 | 200 |
| Construction | 6,700 | 7,200 | 7,000 | 6,100 | 4,700 |
| Manufacturing | 6,700 | 6,100 | 6,100 | 6,100 | 5,700 |
| Wholesale Trade | 4,800 | 5,000 | 4,900 | 5,100 | 4,800 |
| Retail Trade | 16,800 | 16,800 | 17,000 | 16,700 | 15,000 |
| Transportation, Warehousing & Utilities | 3,400 | 3,400 | 3,600 | 3,600 | 3,500 |
| Information | 2,400 | 2,200 | 2,100 | 2,000 | 1,700 |
| Financial Activities | 6,100 | 6,200 | 6,000 | 5,500 | 4,700 |
| Professional and Business Services | 12,500 | 12,400 | 11,900 | 11,600 | 10,900 |
| Education and Health Services | 12,200 | 12,500 | 12,700 | 13,100 | 13,600 |
| Leisure and Hospitality | 20,800 | 20,700 | 21,100 | 21,400 | 20,200 |
| Other Services | 4,600 | 4,500 | 4,600 | 4,600 | 4,500 |
| Government | 30,300 | 30,600 | 31,500 | 32,200 | 32,200 |
| Total | 169,800 | 168,300 | 170,300 | 171,500 | 165,400 |

March 2009 benchmark.
*Source: State of California, Employment Development Department.*

**Employment**

The table below lists recent employment and unemployment figures for the County.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
**County of Monterey**
**2004-2009**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Civilian Labor Force | | | | | | |
| Employment | 190,800 | 193,500 | 192,100 | 194,100 | 195,400 | 190,900 |
| Unemployment | 17,400 | 15,300 | 14,300 | 15,100 | 17,900 | 25,800 |
| Total | 208,100 | 208,800 | 206,400 | 209,200 | 213,300 | 216,600 |
| Unemployment Rate | 8.3% | 7.3% | 6.9% | 7.2% | 8.4% | 12.0% |

March 2009 benchmark.
*Source: State of California, Employment Development Department (www.calmis.ca.gov).*

The table below lists recent employment and unemployment figures for the City.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
**City of Greenfield**
**2004-2009**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Civilian Labor Force | | | | | | |
| Employment | 5,400 | 5,500 | 5,400 | 5,500 | 5,600 | 5,500 |
| Unemployment | 800 | 700 | 700 | 700 | 900 | 1,200 |
| Total | 6,100 | 6,200 | 6,100 | 6,200 | 6,400 | 6,700 |
| Unemployment Rate | 12.8% | 11.7% | 11.0% | 11.3% | 13.3% | 18.5% |

March 2009 benchmark.
*Source: State of California, Employment Development Department (www.calmis.ca.gov).*

## Largest Employers

The following tables summarize the largest employers in Monterey County, which encompasses the City of Greenfield and the surrounding area:

**LARGEST EMPLOYERS**
**Monterey County**

| Employer Name | Location | Industry |
|---|---|---|
| Azcona Harvesting | Greenfield | Harvesting-Contract |
| Bud Of California | Soledad | Fruits & Vegetables-Growers & Shippers |
| Community Hospital-Monterey | Monterey | Hospitals |
| Community Hospital-Monterey | Monterey | Clinics |
| Con Agra Foods Inc | King City | Dried/Dehydrated Fruits Vegetables |
| D'arrigo Brothers Co | Salinas | Fruits & Vegetables-Growers & Shippers |
| Dole Fresh Vegetables | Soledad | Food Products & Manufacturers |
| Fresh Express | Salinas | Salads (Whls) |
| Hilltown Packing Co | Salinas | Harvesting-Contract |
| HSBC Card Svc Inc | Salinas | Credit & Debt Counseling Services |
| Mann Packing Co | Salinas | Fruits & Vegetables-Growers & Shippers |
| McGraw-Hill Co | Monterey | Publishers-Book (Mfrs) |
| Misionero Vegetables | Gonzales | Fruits & Vegetables-Growers & Shippers |
| Monterey Cnty Social Svc Comm | Salinas | County Government-Social/Human Resources |
| Monterey County Public Works | Salinas | Grading Contractors |
| Monterey County Social Svc | Salinas | County Government-Social/Human Resources |
| Natividad Medical Ctr | Salinas | Hospitals |
| Naval Postgraduate School | Monterey | Schools-Universities & Colleges Academic |
| Pebble Beach Resorts | Pebble Beach | Resorts |
| Residences At Spanish Bay | Pebble Beach | Resorts |
| Salinas Valley Memorial | Salinas | Hospitals |
| Special Education School Div | Salinas | Schools |
| Taylor Farms California Inc | Salinas | Fruits & Vegetables-Growers & Shippers |
| US Defense Dept | Seaside | Federal Government-National Security |
| US Defense Manpower Data Ctr | Seaside | Government Offices-Us |

*Source: America's Labor Market Information System (ALMIS) Employer Database, 2010 2nd Edition. Employer information provided by infoUSA.*

## Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2004 through 2009 in the County are shown in the following table.

**BUILDING PERMIT VALUATIONS**
**Monterey County**
**2004-2009**
**(Dollars in Thousands)**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Valuation ($000's) | | | | | | |
| Residential | $481,029 | $514,181 | $392,413 | $369,570 | $213,572 | $115,975 |
| Non-Residential | 132,244 | 116,454 | 205,771 | 216,178 | 138,514 | 97,441 |
| Total | $613,273 | $630,635 | $598,184 | $585,748 | 352,086 | $213,416 |
| Units | | | | | | |
| Single Family | 1,085 | 1,181 | 742 | 559 | 239 | 118 |
| Multiple Family | 191 | 154 | 131 | 557 | 169 | 95 |
| Total | 1,276 | 1,335 | 873 | 1,116 | 408 | 213 |

Note: Totals may not add to sum because of rounding.
*Source: Construction Industry Research Board.*

The District does not maintain separate records of building permits or housing starts. The information provided in the table below is shown for the City and may not be representative of the District as a whole.

**BUILDING PERMITS AND VALUATIONS**
**City of Greenfield**
**2004-2009**
**(Dollars in Thousands)**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Valuation ($000's) | | | | | | |
| Residential | $23,304 | $87,272 | $27,192 | $14,592 | $4,181 | $5,478 |
| Non-Residential | 323 | 343 | 732 | 761 | 384 | 212 |
| Total | $23,627 | $87,615 | $27,924 | $15,353 | $4,565 | $5,690 |
| Units | | | | | | |
| Single Family | 122 | 421 | 118 | 73 | 10 | 1 |
| Multi-Family | 0 | 20 | 58 | 25 | 27 | 40 |
| Total | 122 | 441 | 176 | 98 | 37 | 41 |

Note: Totals may not add to sums because of rounding.
*Source: Construction Industry Research Board.*

## Effective Buying Income

"Effective buying income" ("EBI") is a classification developed exclusively by *Sales & Marketing Management* magazine to distinguish it from other sources reporting income statistics. EBI 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 figures are commonly known as "disposable personal income."

"Median household income" represents that level of income above and below which lie 50 percent of families in a particular area. Median family income is the most comprehensive definition of income measured by the U.S. Census Bureau.

**EFFECTIVE BUYING INCOME**
**Monterey County, State of California and the United States**
**2002-2008**

| Year/Area | Median Household Effective Buying Income |
|---|---|
| 2002 | |
| Monterey County | $43,424 |
| California | 42,484 |
| United States | 38,035 |
| 2003 | |
| Monterey County | $43,978 |
| California | 42,924 |
| United States | 38,201 |
| 2004 | |
| Monterey County | $45,358 |
| California | 43,915 |
| United States | 39,324 |
| 2005 | |
| Monterey County | $46,344 |
| California | 44,681 |
| United States | 40,529 |
| 2006 | |
| Monterey County | $47,682 |
| California | 46,275 |
| United States | 41,255 |
| 2007 | |
| Monterey County | $47,682 |
| California | 46,275 |
| United States | 41,255 |
| 2008 | |
| Monterey County | $48,097 |
| California | 48,203 |
| United States | 41,792 |

*Source:* *Sales & Marketing Management Magazine "Survey of Buying Power." (2001-2004)*
*TradeDimensions International, Inc. "Demographics USA" (2005-2008)*

**Commercial Activity**

Commercial activity is an important contributor to the County's economy. The table below shows the County's taxable transactions from 2002 through 2006.

**TAXABLE SALES**
**County of Monterey**
**For Calendar Years 2002 through 2006**
**(Dollars in Thousands)**

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| Apparel stores group | $164,560 | $165,390 | $172,931 | $181,167 | $189,133 |
| General merchandise group | 593,851 | 588,389 | 608,660 | 609,948 | 626,771 |
| Specialty stores group | 407,431 | 410,503 | 435,057 | 447,420 | 460,610 |
| Food stores group | 253,727 | 263,201 | 265,097 | 271,595 | 275,666 |
| Eating and drinking group | 472,756 | 484,559 | 504,336 | 525,737 | 539,382 |
| Household group | 152,763 | 162,548 | 164,178 | 170,614 | 160,232 |
| Building material group | 308,043 | 329,465 | 351,391 | 354,999 | 349,766 |
| Automotive group | 920,986 | 952,602 | 1,041,968 | 1,113,635 | 1,156,739 |
| Other retail stores | 183,332 | 205,738 | 222,881 | 232,493 | 243,320 |
| Total Retail Outlets | $3,457,449 | $3,562,395 | $3,766,499 | $3,907,608 | $4,001,619 |
| Business and personal services | 332,202 | 336,077 | 351,104 | 359,809 | 374,316 |
| All other outlets | 1,062,295 | 1,020,184 | 1,118,352 | 1,187,083 | 1,282,231 |
| Total All Outlets | $4,851,946 | $4,918,656 | $5,235,955 | $5,454,500 | $5,658,166 |

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

The table below lists the County's taxable transactions for 2007 and 2008.

**TAXABLE SALES**
**County of Monterey**
**2007 and 2008**
**(Dollars in Thousands)**

| Taxable Sales | 2007[(1)] | 2008[(1)] |
|---|---|---|
| Apparel stores group | $213,737 | $205,503 |
| General merchandise group | 629,166 | 595,761 |
| Food stores group | 108,499 | 279,195 |
| Eating & drinking group | 556,016 | 547,222 |
| Home furnishings and appliances | 139,453 | 144,275 |
| Building materials | 318,825 | 257,709 |
| Automotive group | 747,161 | 596,751 |
| Service stations | 454,629 | 529,317 |
| Other retail stores | 677,316 | 558,949 |
| Retail Stores Total | $4,021,150 | $3,714,682 |
| Business & personal services | 389,401 | 361,651 |
| All other outlets | 1,270,101 | 1,323,261 |
| Total All Outlets | $5,680,652 | $5,399,594 |

(1) The Board of Equalization changed its coding process in 2007. Data from 2007 is not strictly comparable with data from 2006 or before.

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

The table below summarizes the City's taxable transactions for 2004 through 2008.

**TAXABLE SALES**
**City of Greenfield**
**2004 through 2008**
**(Dollars in Thousands)**

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Retail Stores | $36,683 | $39,394 | $39,983 | $42,105 | $45,453 |
| Total Outlets | $54,351 | $59,920 | $59,391 | $62,703 | $66,507 |

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

**Transportation**

Two major north-south highways connect the County with surrounding counties. State Highway 1 follows the coast. U.S. 101 follows the Salinas Valley. Highway 68 links the City to the Monterey Peninsula. Highways 156 and 198 link U.S. 101 with the parallel inland route in adjacent counties.

Local transit needs are served by the Monterey-Salinas Transit system. Greyhound provides regularly scheduled intrastate and interstate transportation. Amtrak passenger service is available from Salinas, which is located on the Southern Pacific mainline route between San Francisco and Los Angeles.

County residents and visitors utilize commercial airlines flying out of Monterey Peninsula Airport, located 3.5 miles from downtown Monterey. The Monterey Peninsula Airport is designated a primary airport within the National Airport System Plan and is in the small hub airport category based on passenger enplanement criteria. It provides scheduled airline and general aviation services.

Union Pacific Railroad provides freight service for the interior of the County. Freight transportation is also provided by several intrastate and transcontinental trucking firms.

**Education**

Public school education in the County is available through fifteen elementary districts, two high school districts, and seven unified school districts. Twenty-nine private schools are located within the County. There are fourteen educational institutions located in Monterey County which provide post-secondary opportunities and several other universities located within close driving distance.

Besides the District's three elementary school and one middle school, Greenfield High School is located in the City along with a public continuation high school. Hartnell Community College in Salinas and California State University, Monterey Bay in nearby Seaside provide higher education opportunities, as does the University of California, Santa Cruz, approximately 60 miles away.

# APPENDIX E

## TABLE OF ACCRETED VALUES

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BOND ACCRETED VALUE TABLE

Greenfield Union School District

(Monterey County, California)

General Obligation Bonds, Election of 2010, Series 2010

Bank Qualified

| Date | CAB Bond 08/01/2011 10.7% | CAB Bond 08/01/2012 10.7% | CAB Bond 08/01/2013 10.7% | CAB Bond 08/01/2014 10.7% | CAB Bond 08/01/2015 10.7% | CAB Bond 08/01/2016 10.7% | CAB Bond 08/01/2017 10.7% | CAB Bond 08/01/2018 10.7% | CAB Bond 08/01/2019 10.7% | CAB Bond 08/01/2020 10.7% | CAB Bond 08/01/2021 10.7% |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10/20/2010 | 4,609.25 | 4,153.00 | 3,741.90 | 3,371.50 | 3,037.75 | 2,737.05 | 2,466.15 | 2,222.00 | 2,002.05 | 1,803.90 | 1,625.30 |
| 2/1/2011 | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 | 2,818.30 | 2,539.30 | 2,287.95 | 2,061.45 | 1,857.40 | 1,673.55 |
| 8/1/2011 | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 | 2,969.05 | 2,675.15 | 2,410.35 | 2,171.75 | 1,956.80 | 1,763.10 |
| 2/1/2012 | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 | 2,818.30 | 2,539.30 | 2,287.95 | 2,061.45 | 1,857.40 |
| 8/1/2012 | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 | 2,969.05 | 2,675.15 | 2,410.35 | 2,171.75 | 1,956.80 |
| 2/1/2013 | | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 | 2,818.30 | 2,539.30 | 2,287.95 | 2,061.45 |
| 8/1/2013 | | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 | 2,969.05 | 2,675.15 | 2,410.35 | 2,171.75 |
| 2/1/2014 | | | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 | 2,818.30 | 2,539.30 | 2,287.95 |
| 8/1/2014 | | | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 | 2,969.05 | 2,675.15 | 2,410.35 |
| 2/1/2015 | | | | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 | 2,818.30 | 2,539.30 |
| 8/1/2015 | | | | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 | 2,969.05 | 2,675.15 |
| 2/1/2016 | | | | | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 | 2,818.30 |
| 8/1/2016 | | | | | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 | 2,969.05 |
| 2/1/2017 | | | | | | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 | 3,127.90 |
| 8/1/2017 | | | | | | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 | 3,295.25 |
| 2/1/2018 | | | | | | | | 4,746.05 | 4,276.25 | 3,852.95 | 3,471.55 |
| 8/1/2018 | | | | | | | | 5,000.00 | 4,505.05 | 4,059.10 | 3,657.30 |
| 2/1/2019 | | | | | | | | | 4,746.05 | 4,276.25 | 3,852.95 |
| 8/1/2019 | | | | | | | | | 5,000.00 | 4,505.05 | 4,059.10 |
| 2/1/2020 | | | | | | | | | | 4,746.05 | 4,276.25 |
| 8/1/2020 | | | | | | | | | | 5,000.00 | 4,505.05 |
| 2/1/2021 | | | | | | | | | | | 4,746.05 |
| 8/1/2021 | | | | | | | | | | | 5,000.00 |

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# APPENDIX F

## SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: $



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

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

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

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

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

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

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

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

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

By ______________________________
Authorized Officer

(212) 826-0100

Form 500NY (5/90)