

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 16, 2012

NEW ISSUE-FULL BOOK-ENTRY

**RATINGS: Fitch: "AA-"
Standard & Poor's: "A+"
(See "MISCELLANEOUS — Ratings" herein)**

In the opinion of Best Best & Krieger LLP, Riverside, California ("Bond Counsel"), subject to certain qualifications described herein, 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, however it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income tax. See "LEGAL MATTERS" herein.

\$13,000,000*
MADERA UNIFIED SCHOOL DISTRICT
(Madera County, California)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

Dated: Date of Delivery

Due: August 1, as shown on the inside cover page

This Official Statement describes the \$13,000,000* Madera Unified School District General Obligation Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are being issued by the Madera Unified School District (the "District") to conduct a partial advance refunding of the District's outstanding General Obligation Bonds, Election 2002, Series 2003 and to pay costs of issuance of the Bonds. See "REFUNDING PLAN — Plan of Refunding."

The Bonds are general obligation bonds of the District. The Board of Supervisors of the County of Madera is empowered and is obligated to levy *ad valorem* taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The Bonds are secured on a parity with approximately \$64,082,701.25 of other general obligations bonds of the District that will be outstanding following the issuance of the Bonds. See "SECURITY FOR THE BONDS," "TAX BASE FOR REPAYMENT OF BONDS — *Ad Valorem* Property Taxation" and "DISTRICT DEBT STRUCTURE — Long-Term Debt," and "— General Obligation Bonds."

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 for The Depository Trust Company, New York, New York ("DTC"). Purchasers of beneficial ownership interests in the Bonds will not receive certificates representing their interest in the Bonds. See "THE BONDS — Book-Entry-Only System" and APPENDIX C — "BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds will accrue from their date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2012. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be paid by The Treasurer-Tax Collector of the County of Madera, as the Paying Agent, Registrar and Transfer Agent (the "Paying Agent") to DTC for subsequent disbursement to DTC Participants (defined in this Official Statement) who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — Book-Entry Only System."

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS," herein.

The District has made application for municipal bond insurance with respect to the Bonds and will determine prior to the sale of the Bonds whether to purchase such insurance.

The Bonds are general obligation bonds of the District and do not constitute a debt, liability or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

MATURITY SCHEDULE
(See Inside Cover Page)

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

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the District by Best & Krieger LLP, Riverside, California, as Disclosure Counsel and District Counsel. Certain legal matters are being passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado, as Underwriter's Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about March 15, 2012.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

The date of this Official Statement is _____, 2012.

* Preliminary, subject to change.

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

\$13,000,000*
MADERA UNIFIED SCHOOL DISTRICT
(Madera County, California)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

Base CUSIP^{®(1)}: _____

MATURITY SCHEDULE

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP^{®(1)}</u>
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				

⁽¹⁾ Copyright 2012, American Bankers Association. CUSIP[®] data herein is provided by Standard and Poor's. CUSIP[®] Service Bureau, a division of The McGraw Hill Companies, Inc. The District takes no responsibility for the accuracy of such data.

* Preliminary, subject to change.

MADERA UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Ricardo Arredondo, *President*
Michael Salvador, *Board Clerk*
Ray G. Seibert, *Board Member*
Lynn Cogdill, *Board Member*
Robert E. Garibay, *Board Member*
Maria Velarde-Garcia, *Board Member*
Jose Rodriguez, *Board Member*

ADMINISTRATION

Gustavo Balderas, *Superintendent*
Kelly Porterfield, *Associate Superintendent of Business and Operations*
Debie Wood, *Associate Superintendent of Educational Services*
Teri Bradshaw, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

Best Best & Krieger LLP
Riverside, California

Paying Agent and Bond Registrar

Madera County Treasurer-Tax Collector
Madera, California

Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Underwriter's Counsel

Kutak Rock LLP,
Denver, Colorado

Escrow Verification

Causey Demgen & Moore Inc.
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 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 in this Official Statement, are intended solely as such and are not to be construed as representations of fact.

The information and expression of opinion in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement since the date of this Official Statement. This Official Statement is being submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

All information for investors regarding the District and the Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the District.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “THE DISTRICT,” “DISTRICT FINANCIAL MATTERS” and APPENDIX F — “COUNTY OF MADERA OFFICE OF THE TREASURER TAX-COLLECTOR STATEMENT OF INVESTMENT POLICY.”

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the District has agreed to provide certain on-going financial and operating data for a limited period of time, it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change. See “CONTINUING DISCLOSURE” and APPENDIX D — “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

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

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

With respect to this offering, the Underwriter may allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above those 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 described in this Official Statement to certain securities dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated in this Official Statement and said public offering prices may be changed from time to time by the Underwriter.

The Bonds have not been registered under The Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act and have not been registered or qualified under the securities laws of any state.

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\$13,000,000*
MADERA UNIFIED SCHOOL DISTRICT
(Madera County, California)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

INTRODUCTION

This Official Statement (which includes the cover page, the inside cover page, the Table of Contents, and the Appendices attached to this Official Statement) is furnished by the Madera Unified School District (the “District”), located in Madera County, California, to provide information concerning the \$13,000,000* Madera Unified School District General Obligation Refunding Bonds, Series 2012 (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, inside cover page, the Table of Contents, and Appendices attached to this Official Statement, and the documents summarized or described in this Official Statement. 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.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Agreement described herein. See “CONTINUING DISCLOSURE.”

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the resolutions of the Board of Education (the “Board”) of the District providing for the issuance and payment of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

The District

The Madera Unified School District (the “District”), is located in Madera County, California (the “County”), and encompasses approximately 354 square miles. The District’s territory includes all of the incorporated area of the City of Madera (the “City”) and unincorporated territory of the County adjacent to the City. The District currently operates thirteen elementary schools for grades K-6, three elementary schools for grades K-8, three middle schools for grades 7-8, two high schools for grades 9-12, one alternative high school, two continuation high schools and one adult school. Enrollment in the District in 2011-12 is 18,424 students in grades K through 12. The District is also the sponsor of two charter school, grades K-6 and grades K-8, with total enrollment of 423 students.

* Preliminary, subject to change.

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). The Bonds are secured on a parity with approximately \$64,082,701.25 of other general obligations bonds of the District including \$12,905,000 of Series 2003 Bonds expected to be refunded by the Bonds. See “SECURITY FOR THE BONDS,” “TAX BASE FOR REPAYMENT OF BONDS — *Ad Valorem* Property Taxation” and “DISTRICT DEBT STRUCTURE — Long-Term Debt” and “— General Obligation Bonds.”

Purpose of Issue

Proceeds from the Bonds will be used to conduct a partial advance refunding of the District’s General Obligation Bonds, Election 2002, Series 2003, outstanding in the aggregate principal amount of \$13,180,000 (the “2003 Bonds”), and to pay costs of issuance of the Bonds. See “REFUNDING PLAN — Plan of Refunding.”

Description of the Bonds

Bonds. The Bonds mature on August 1 in the years and in the amounts indicated on the inside cover page of this Official Statement.

Payments. Interest on the Bonds accrues from the date of delivery of the Bonds at the rates set forth on the inside cover page of this Official Statement, and is payable semiannually on each February 1 and August 1, commencing August 1, 2012. The principal amount of the Bonds is payable at maturity upon surrender of the Bonds for payment.

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the cover page of this Official Statement, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS — Book-Entry Only System” and APPENDIX C — “BOOK-ENTRY ONLY SYSTEM.”

Denominations. The Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of \$5,000 principal amount.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE BONDS — Optional Redemption,” and “— Mandatory Redemption,” herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant certain provisions of the Government Code (the “Government Code”) of the State of California (the “State”) and other applicable law, and pursuant to a resolution adopted by the Board of the District on January 24, 2012. See “THE BONDS — Authority for Issuance.”

Bond Insurance

The District has made application for municipal bond insurance with respect to the Bonds and will determine prior to the sale of the Bonds whether to purchase such municipal bond insurance.

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 DTC in New York, New York on or about March 15, 2012.

Continuing Disclosure

In order to assist the original purchaser and the Underwriter of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission, the District will covenant for the benefit for the bondholders, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and operating data relating to the District, and notices of the occurrence of certain enumerated events. The specific nature of the information to be made available and of the notices of material events is summarized below under the caption "CONTINUING DISCLOSURE" and APPENDIX D — "FORM OF CONTINUING DISCLOSURE AGREEMENT" in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the Associate Superintendent of Business and Operations, Madera Unified School District, 1902 Howard Road, Madera, California 93637, telephone: (559) 675-4500. The District may impose a charge for copying, mailing and handling.

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

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

All terms used in this Official Statement and not otherwise defined shall have the meanings given such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Article 9 (commencing with Section 53550) and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Refunding Law") and the Resolution. In accordance with the Refunding Law, the Bonds are being issued by the District and are payable from *ad valorem* taxes levied on all property within the District subject to taxation by the County. The Bonds are being issued to refund the 2003 Bonds. See "REFUNDING PLAN" herein. See "DISTRICT DEBT STRUCTURE – General Obligation Bonds," herein.

Security

The Board of Supervisors of the County has power and is obligated to annually levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). 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 of and interest on the Bonds when due. Such taxes, when collected, will be deposited into the Madera Unified School District General Obligation Bond Debt Service Fund (the “Debt Service Fund”), which is maintained by the County and which is required by the Act to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an ad valorem tax for the payment of the Bonds and to make timely payment of principal of and interest on the Bonds when due, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

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

The amount of the annual ad valorem tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District’s control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by State of California (the “State”) and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by 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 annual tax rate. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “TAX BASE FOR REPAYMENT OF BONDS” herein.

Description of the Bonds

Interest on the Bonds accrues from the date of delivery, and is payable semiannually on February 1 and August 1 of each year (each a “Bond Payment Date”), commencing August 1, 2012 at the annual interest rates shown on the inside cover of this Official Statement. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the Bonds on the basis of a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of DTC. Principal of, premium, if any, and interest on the Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry only system. See “ — Book-Entry Only System” and APPENDIX C — “BOOK-ENTRY ONLY SYSTEM.”

See the Maturity Schedule on the inside cover for the maturity schedule of the Bonds, “DEBT SERVICE SCHEDULE” for the debt service schedule for the Bonds and “DISTRICT DEBT STRUCTURE — Long-Term Debt,” and “ — General Obligation Bonds” for a schedule of combined debt service of the Bonds and the District’s other outstanding general obligation bonds.

Paying Agent

The Treasurer-Tax Collector of the County of Madera, State of California (the “Treasurer-Tax Collector” or “County Treasurer”) will act as the initial Paying Agent, Registrar and Transfer Agent (the

“Paying Agent”) for the Bonds. If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District.

Optional Redemption

The Bonds maturing on or before August 1, 2022*, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2023*, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, as a whole or in part on any date on or after August 1, 2022*, at a redemption price equal to the principal of such Bonds to be redeemed, together with interest accrued thereon to the date of redemption.

Mandatory Redemption

The Bonds maturing August 1, _____ and August 1, _____, are subject to mandatory redemption without premium from funds in the Debt Service Fund prior to their stated maturity dates, at the principal amount to be redeemed on each August 1, commencing August 1, _____ with respect to the Bonds maturing August 1, _____, and August 1, _____, with respect to the Term Bonds maturing August 1, _____, as set forth below:

Term Bonds Maturing August 1, _____

<u>Year</u> <u>(August 1)</u>	<u>Amount</u>
--	----------------------

Term Bonds Maturing August 1, _____

<u>Year</u> <u>(August 1)</u>	<u>Amount</u>
--	----------------------

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, the Paying Agent shall select Bonds for redemption as instructed in writing by the District and if not so instructed, such Bonds shall be redeemed in inverse order of maturities. If less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds within such maturity to be redeemed shall be determined by lot. Redemption by lot shall be in such manner as the Paying Agent shall 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

When redemption is authorized or required, the Paying Agent, upon written instruction from the District, shall give notice (a “Redemption Notice”) of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount and stated

* Preliminary, subject to change.

maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified redemption date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue.

The Paying Agent shall take the following actions with respect to any such Redemption Notice:

(a) At least 30 but not more than 45 days prior to the redemption date, the Redemption Notice shall be given to the respective owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the bond register.

(b) At least 30 but not more than 45 days prior to the redemption date, the Redemption Notice shall be given by (1) first class mail, postage prepaid; (2) telephonically confirmed facsimile transmission; or (3) overnight delivery service, to each of the Securities Depositories.

(c) At least 30 but not more than 45 days prior to the redemption date, the Redemption Notice shall be given by (1) first class mail, postage prepaid; (2) telephonically confirmed facsimile transmission; or (3) overnight delivery service, to one of the Information Services.

Notwithstanding anything in the Resolution to the contrary, the Paying Agent shall not mail notice of any redemption of the Bonds (other than mandatory sinking fund redemption) unless the Paying Agent shall have on deposit, as of the date of such mailing, an amount of funds sufficient to pay in full the redemption price of all of the Bonds to be redeemed, unless such notice expressly states that any redemption be contingent upon the receipt by the Trustee of sufficient money to effectuate the redemption on the date set for redemption.

Neither failure to receive or failure to give any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the Bonds being redeemed. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by series and maturity, the Bonds being redeemed with such check or other transfer.

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

Effect of Notice of Redemption. Notice having been given as aforesaid, and funds for the redemption of the Bond (including interest accrued thereon to the applicable date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed including interest thereon accrued to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity shall be cancelled upon surrender thereof, and shall be delivered to or upon the order of the County and the District in lieu of redemption. All or any portion of a Bond purchased by the County or the District shall be cancelled by the Paying Agent.

Purchase of Bonds. In lieu of payment at maturity or redemption at the request of the District, moneys in the Debt Service Fund may be used and withdrawn by the Treasurer-Tax Collector for the purchase of

outstanding Bonds, at public or private sale as and when, and at such prices (including brokerage and other charges) as the District may direct, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase. All or any portion of any Bond purchased by the Treasurer-Tax Collector, in lieu of payment at maturity or redemption, shall be surrendered to and cancelled by the Paying Agent and delivered to the District.

Book-Entry Only System

The Bonds will be issued as one fully registered bond without coupons for each maturity and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of and interest on the Bonds will be paid to DTC, which will in turn remit such principal of and interest to its participants for subsequent dispersal to the beneficial owners of the Bonds as described in this Official Statement. See APPENDIX C — “BOOK-ENTRY ONLY SYSTEM.”

Defeasance

All or a portion of the outstanding Bonds may be paid and discharged in any one or more of the following ways:

(1) by irrevocably depositing with the County Treasurer or an independent escrow agent an amount of cash which together with amounts then on deposit in the Debt Service Fund, is sufficient to pay all of the Bonds outstanding and designated for defeasance, including all principal and interest and premium, if any; or

(2) by irrevocably depositing with the County Treasurer or an independent escrow agent noncallable Government Obligations (defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund, together with interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and prepayment premiums, if any).

If a Bond is defeased as described above, then, all obligations of the District and the Paying Agent under the Resolution with respect to such outstanding Bond shall cease and terminate, whether or not such Bond has been surrendered for payment, except only the obligation of the District to pay or cause to be paid to the Owners of such designated Bonds all sums due thereon and the obligations of the District with respect to the applicable Rebate Fund.

In the Resolution, Government Obligations are defined as follows: 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, including United States Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”), or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service or Standard & Poor’s Ratings Services. 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 in the second highest rating category by Standard & Poor’s Ratings Services or by Moody’s Investors Service.

Supplemental Resolutions

The Resolution, and the rights and obligations of the District and of the Owners of the Bonds, may be modified or amended at any time by a supplemental resolution adopted by the Board of Education with the written consent of Owners owning at least 60% in aggregate principal amount of the Bonds then outstanding. No such modification or amendment shall, (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the monies on deposit in the Debt Service Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds, (iii) reduce the percentage of Bonds required for the amendment of the Resolution, or (iv) reduce the principal amount of or redemption premium on any Bond, or reduce the interest rate thereon.

Notwithstanding the foregoing, the Resolution, and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the District without the written consent of the Owners for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the District in the Resolution contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved in the Resolution to or conferred upon the District;
- (2) to make modifications not adversely affecting any outstanding Bonds in any material respect;
- (3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Resolution, or in regard to questions arising under the Resolution, as the District may deem necessary or desirable and not inconsistent with the Resolution, and which shall not adversely affect the rights of the Owners of the Bonds; or
- (4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance by the District with Section 148 of the Code relating to required rebate of monies to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Treasury Regulations.

Any action taken pursuant to a Supplemental Resolution so consented to by the Owners of at least 60% in aggregate principal amount of the Bonds then outstanding shall be binding on the Owners of all of the Bonds and shall not be deemed to be inconsistent with any of the provisions of the Resolution, whatever the character of such action may be, and such action may be taken and performed as fully and freely as if expressly permitted by the Resolution. After such consent relating to specified matters has been given, no Bond Owner shall have any right or interest to object to any such action or in any manner to question the propriety thereof or to enjoin or restrain the District or the Paying Agent, or any officer or agent thereof, from taking any action pursuant to such consent.

Unclaimed Moneys

Anything contained in the Resolution to the contrary notwithstanding, any monies held by the County Treasurer or the Paying Agent in trust for the payment and discharge of the principal of, the interest and any premium on the Bonds which remain unclaimed for two years after the date when the payment of such principal, interest and premium have become payable, if such monies were held by the County Treasurer or the Paying Agent at such date, shall be deposited by the County Treasurer to the account of the District as its absolute property free from any trust, and the County Treasurer shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the District for the payment of the principal of, interest and any premium on their Bonds.

REFUNDING PLAN

Plan of Refunding

In accordance with the Refunding Law, the Bonds are being issued by the District to refund on an advanced basis a portion of the 2003 Bonds, outstanding in the aggregate principal amount of \$13,100,000. A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") pursuant to the Escrow Agreement, dated as of _____, 2012 (the "Escrow Agreement"), by and between the District and the Escrow Agent for the refunding of the 2003 Bonds. The County Treasurer will remain as Paying Agent for the 2003 Bonds.

The proceeds of the 2003 Bonds (together with the proceeds of subsequent general obligation bonds issued pursuant to the 2002 Authorization and other available funds of the District) were used to fund the construction of various schools throughout the District and which are listed below:

Madera South High School
Nishimoto Elementary School
Jack G. Desmond Middle School
Cesar Chavez Elementary School

Redemption of 2003 Bonds

The net proceeds of the Bonds will be applied to pay for the refunding on a current basis of all of the 2003 Bonds except for the 2003 Bond maturing on August 1, 2012 which is not subject to optional redemption (the "Refunded Bonds"). The Refunded Bonds consist of the maturities of the 2003 Bonds described in the following table:

REFUNDED BONDS Madera Unified School District General Obligation Bonds, Election of 2002, Series 2003

<u>Maturity Date</u>	<u>CUSIP No.</u>	<u>Principal Amount</u>
2013	556452 AK6	\$ 240,000
2014	556452 AL4	290,000
2015	556452 AM2	345,000
2016	556452 AN0	400,000
2017	556452AP5	465,000
2018	556452 AQ3	535,000
2019	556452 AR1	605,000
2020	556452 AS9	690,000
2023	556452 AV2	2,620,000
2028	556452 AW0	<u>6,715,000</u>
Total		\$12,905,000

The maturity of the 2003 Bonds listed in the following table is not being refunded and will remain outstanding subsequent to the issuance of the Bonds.

**MADERA UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Election of 2002, Series 2003
Unrefunded Bonds**

Maturity Date <u>(August 1)</u> 2012	CUSIP No. <u>(556452)</u> AJ9	Principal Amount \$195,000
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Moneys in the Escrow Fund will be held uninvested in cash. An independent certified public accountant licensed to practice in the State, Causey Demgen & Moore Inc., Denver, Colorado (the “Verification Agent”), acting as verification agent with respect to the Escrow Fund, will certify in writing that moneys deposited in the Escrow Fund, will be sufficient to pay the redemption price of, and interest on the 2003 Bonds, on August 1, 2012.

SOURCES AND USES OF BOND PROCEEDS

The estimated sources and uses of funds in connection with the Bonds are as follows:

Sources of Funds

Principal Amount of Bonds	\$ _____
Net Original Issue Premium	_____
Total Sources of Funds	\$ _____

Uses of Funds

Escrow Fund	\$ _____
Underwriter’s Discount	_____
Costs of Issuance ⁽¹⁾	_____
Total Uses of Funds	\$ _____

⁽¹⁾ Costs of issuance include, but are not limited to, legal fees, printing costs, rating agency fees, bond insurance (if any), and other miscellaneous fees and expenses.

DEBT SERVICE SCHEDULE

The following table summarizes the annual debt service requirements of the District for the Bonds:

**MADERA UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012
Debt Service Schedule ***

<u>Year Ending (August 1)</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment</u>	<u>Total Annual Debt Service</u>
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
Total			

Source: The Underwriter.

See “DISTRICT DEBT STRUCTURE — Long-Term Debt” and “— General Obligation Bonds” for a schedule of the combined debt service requirements for all of the District’s outstanding general obligation bonds.

APPLICATION AND INVESTMENT OF BONDS PROCEEDS AND TAX REVENUES

The *ad valorem* property taxes securing the payment of the Bonds when received shall be kept separate and apart in the Debt Service Fund established under the Resolution and be used only for payments of principal of and interest on the Bonds. Interest earned on the investment of monies held in the Debt Service Fund established under the Resolution shall be retained in the Debt Service Fund and used to pay principal of and interest on the Bonds when due.

Any excess proceeds of the Bonds not needed for the purpose for which the Bonds are issued shall be transferred to the Debt Service Fund established under the Resolution and applied to the payment of principal of and interest on the Bonds. If after payment in full of the Bonds there remains excess proceeds, any such excess amounts shall be transferred to the District’s general fund. Amounts which the District determines are required to be rebated to the federal government will be deposited in the Rebate Fund established under the Resolution.

Monies held in the Debt Service Fund and the Rebate Fund established under the Resolution may be invested in any investment permitted by law, including under Government Code Sections 53601 and 53635.

* Preliminary, subject to change.

It is anticipated that monies in the Rebate Fund and the Debt Service Fund for the Bonds will be invested in, and withdrawn from, the Madera County Pooled Investment Fund as described below.

Madera County Pooled Investment Fund

The following is a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information was provided by the Treasurer - Tax Collector. Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. All questions related to the investment practices of the Treasurer - Tax Collector should be directed to the Treasurer - Tax Collector at 200 West 4th Street, Madera, California 93637 (559) 675-7713.

The Treasurer-Tax Collector has authority to implement and oversee the investment of funds on deposit in the County's pooled investment fund (the "Pooled Investment Fund"). The County's Pooled Investment Fund includes the funds of the County and certain governmental entities located in the County, including school districts, community college districts, and special districts. Interest earned is deposited quarterly into participating funds. Any investment losses are shared proportionately by all funds in the Pooled Investment Fund.

An Investment Oversight Committee is established by the Board of Supervisors. The primary objectives of the investment of public funds are: first to safeguard investment principal; second to maintain sufficient liquidity to maintain daily cashflow requirements; and thirdly, to achieve a reasonable rate of return on the portfolio consistent with the first two objectives. The Oversight Committee approves the investment policy, reviews and monitors the Treasurer-Tax Collector's monthly investment reports, reviews depositories for County funds and broker/dealer and banks as approved by the Treasurer-Tax Collector, and causes an annual audit to be conducted to determine the Treasury's compliance with relevant investment statutes and ordinances as well as the Investment Policy.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of January 31, 2012, the portfolio assets comprising the PIF had a market value of \$285,726,668.59.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. The Treasurer-Tax Collector's office estimates that 0.20% of the deposits in the PIF are deposited on a voluntary basis.

While State law permits other governmental jurisdictions, with the prior consent of the County Board of Supervisors and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2010 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the County Treasurer-Tax Collector to sell portfolio securities prior to maturity at a principal loss.

The investments in the County Pooled Investment Fund as of January 31, 2012 were as follows:

<u>Investments</u>	<u>Book Value</u>	<u>% of Portfolio</u>
Medium Term Notes	\$ 23,484,317.22	8.23%
Federal Agency Coupon Securities	101,999,783.59	35.75
Federal Farm Credit Bank	46,003,571.66	16.13
Certificates of Deposit – Bank	9,250,000.00	3.24
Treasury Coupon Securities	1,995,000.00	0.70
Managed Pool Accounts	4,290,894.62	1.50
Depository Accounts	48,322,061.22	15.94
Local Agency Investment Funds	47,906,086.75	15.79
Municipal Bonds	<u>2,024,280.00</u>	<u>0.71</u>
Total Investments	\$285,275,995.06	100.00%

Source: Madera County Treasurer – Tax Collector.

As of January 31, 2012, the market value of the PIF was 100% of book value. The County Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Section 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The County Board of Supervisors has established an “Investment Oversight Committee” in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County’s Investment Policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the County Board of Supervisors. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County does not maintain a separate rating on its pooled investment fund.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County PIF and has made no assessment of the current County Investment Policy. The value of the various investments in the County PIF will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the PIF will not vary significantly from the values described in this Official Statement.

A complete copy of the County’s Investment Policy is contained in APPENDIX F — “COUNTY OF MADERA OFFICE OF THE TREASURER TAX-COLLECTOR STATEMENT OF INVESTMENT POLICY.”

SECURITY FOR THE BONDS

The Bonds are general obligation bonds of the District. The County Board of Supervisors, on behalf of the District, is empowered and obligated annually to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation of rate or amount (except for certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Resolution). The Resolution pledges as security for the Bonds the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of the Bonds. See “TAX BASE FOR REPAYMENT OF BONDS.”

The Bonds (as defined in this Official Statement) are payable on a parity from *ad valorem* taxes levied within the District to repay such bonds (collectively, the “District Bonds”). No part of any fund or account of the County is pledged or obligated to the payment of the Bonds. See “TAX BASE FOR REPAYMENT OF BONDS — *Ad Valorem* Property Taxation” and “DISTRICT DEBT STRUCTURE — Long-Term Debt” and “— General Obligation Bonds.”

The amount of the annual *ad valorem* tax levied by the County Board of Supervisors to repay the District 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 District Bonds in any year. Fluctuations in the annual debt service on the District Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District’s control, such as general market decline in property values, reclassification of property to a class exempt category from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of 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 annual tax rate.

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 on a parity solely from *ad valorem* taxes levied and collected by the County Treasurer 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

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation funds a portion of the District's base revenue limit which is used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS — Revenue Limit Sources." As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes and prescribed the way in which levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals and charitable institutions. See, "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution," herein.

For purposes of allocating a county's basic property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 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" sources from the tax rate area. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is provided by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll, also containing State-assessed property, and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

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

District Assessed Valuation. The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization ("SBE"). See "TAX BASE FOR REPAYMENT OF BONDS — *Taxation of State-Assessed Utility Property.*" Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full cash value of property. For a discussion of how properties currently are 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. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the District Bonds is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.

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

Tax Collections and Delinquencies. A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County only provides information for tax charges and corresponding delinquencies by local agency with respect to debt service levies for voter approved indebtedness. It does not provide such information for the 1% general tax levy. See "— Tax Levies and Delinquencies," herein. See also "— *Teeter Plan*" below.

Teeter Plan. The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan is intended to provide participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter

Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors has adopted the Teeter Plan and has elected to include school districts in its Teeter Plan and applies to the District.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Assessed Valuations

Property within the District had a total assessed valuation for fiscal year 2011-12 of \$4,812,036,173. Table 1 below shows the assessed valuation in the District for fiscal years 2000-01 through 2011-12.

In fiscal year 2011-12, the City of Madera portion of the District accounted for 49.7% of the District's total assessed valuation and the unincorporated Madera County portion accounted for 50.3%.

TABLE 1
MADERA UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2000-01 through 2011-12

<u>Fiscal Year</u>	<u>Total Valuation</u>	<u>Annual % Change</u>
2000-01	\$2,830,091,564	-
2001-02	2,890,097,271	2.12%
2002-03	2,934,325,735	1.53%
2003-04	3,141,674,719	7.07%
2004-05	3,311,005,491	5.39%
2005-06	3,757,042,050	13.47%
2006-07	4,481,522,944	19.28%
2007-08	5,264,965,914	17.48%
2008-09	5,648,251,263	7.28%
2009-10	5,114,406,077	-9.45%
2010-11	4,811,814,032	-5.92%
2011-12	4,812,036,173	0.00%

Source: California Municipal Statistics.

Tax Levies and Delinquencies

Table 2 below summarizes the annual secured tax charges for debt service within the District and the amount delinquent as of June 30 for past fiscal years. Under the terms of the County's Teeter Plan, the District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

TABLE 2
SECURED TAX CHARGES AND DELINQUENCY RATES
Fiscal Years 1996-97 through 2010-11
County of Madera

<u>Fiscal Year</u>	<u>Secured Tax Charge</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
1996-97	\$47,779,893.12	\$1,810,366.58	3.79%
1997-98	51,172,960.16	1,899,050.09	3.71%
1998-99	52,315,675.72	1,758,868.87	3.36%
1999-00	53,276,594.80	2,417,576.79	4.54%
2000-01	57,500,763.28	1,994,166.31	3.47%
2001-02	59,006,165.56	2,174,984.97	3.69%
2002-03	61,201,519.00	2,291,156.00	3.74%
2003-04	65,423,040.00	2,412,626.00	3.69%
2004-05 ⁽¹⁾	71,189,266.79	1,774,477.92	2.53%
2005-06	98,234,291.66	8,257,721.82	8.41%
2006-07	108,321,643.44	6,079,207.16	5.61%
2007-08	126,525,870.67	9,797,666.27	7.74%
2008-09	131,289,475.94	9,968,979.15	7.59%
2009-10	123,741,976.08	6,905,393.77	5.58%
2010-11	115,433,378.75	6,269,137.44	5.43%

⁽¹⁾ For 2004-05, excludes secured tax charges and delinquencies associated with Chuckansi Casino property, the subject of litigation between the County and the property owner.

Source: County of Madera Auditor-Controller's Office.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

There are 77 tax rate areas in the District. A representative tax rate area in the City of Madera portion of the District, Tax Rate Area 2-000, had a fiscal year 2011-12 assessed valuation of \$455,997,457, representing approximately 9.48% of the District's taxable assessed valuation. A representative tax rate area in the

unincorporated portion of the District, Tax Rate Area 61-006, had a fiscal year 2011-12 assessed valuation of \$706,265,140, representing 14.68% of the District's assessed valuation. The table below shows tax rates levied by all taxing entities in Tax Rate Area 2-000 and Tax Rate Area 61-006 during the six-year period from 2006-07 and 2011-12.

TABLE 3
MADERA UNIFIED SCHOOL DISTRICT
SUMMARY OF AD VALOREM TAX RATES
\$1 PER \$100 OF ASSESSED VALUATION
Typical Total Tax Rates

City of Madera – Tax Rate Area 2-000

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
State Center Community College Bonds	0.005038	.005038	.005614	.015812	.010050	.008064
Madera Unified School District Bonds	<u>0.038287</u>	<u>.058920</u>	<u>.046958</u>	<u>.067061</u>	<u>.075004</u>	<u>.076665</u>
Total	\$1.043325	\$1.063958	\$1.052572	\$1.082873	\$1.085054	\$1.084729

Unincorporated Madera County – Tax Rate Area 61-006

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
State Center Community College Bonds	0.005038	.005038	.005614	.015812	.010050	.008064
Madera Unified School District Bonds	<u>0.038287</u>	<u>.058920</u>	<u>.046958</u>	<u>.067061</u>	<u>.075004</u>	<u>.076665</u>
Total	\$1.043325	\$1.063958	\$1.052572	\$1.082873	\$1.085054	\$1.084729

Source: California Municipal Statistics, Inc.

Largest Taxpayers

Table 4 below lists the 20 largest property taxpayers within the District measured by secured assessed valuation for fiscal year 2011-12.

TABLE 4
MADERA UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2011-12

	<u>Property Owner</u>	<u>Land Use</u>	<u>2011-12 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Canandaigua West Inc.	Industrial	\$133,133,864	2.94%
2.	Madera Glass Company	Industrial	101,617,120	2.25%
3.	Pacific Ethanol Madera LLC	Industrial	28,918,176	0.64%
4.	David L. and Patricia R. Berry	Residential Properties	27,044,591	0.60%
5.	Georgia-Pacific Corrugated LLC	Industrial	26,693,704	0.59%
6.	Robert J. and Willemina Diepersloot	Agricultural	22,414,646	0.50%
7.	Advanced Drainage Systems Inc.	Industrial	22,049,408	0.49%
8.	Azteca Milling LP	Industrial	21,588,879	0.48%
9.	Goose Pond AG Inc.	Agricultural	19,716,757	0.44%
10.	Sealed Air Corporation	Industrial	18,935,498	0.42%
11.	Berry & Berry Inc.	Apartments	17,178,054	0.38%
12.	G3 Enterprises Inc.	Agricultural	16,179,544	0.36%
13.	Gottschalks Inc.	Warehouse	15,061,277	0.33%
14.	Oldcastle Precast Inc.	Industrial	14,907,956	0.33%
15.	Yosemite Pointe Partnership	Apartments	14,714,597	0.33%
16.	Eurodrip USA Inc.	Industrial	14,474,972	0.32%
17.	Cottonwood Creek Ranch LLC	Agricultural	14,312,000	0.32%
18.	Cotton Creek Partners	Agricultural	13,924,157	0.31%
19.	Patrick Vincent Ricchiuti	Agricultural	13,652,053	0.30%
20.	DMP Development Corp.	Residential Properties	<u>13,430,619</u>	<u>0.30%</u>
	Total		\$569,947,872	12.60%

⁽¹⁾ 2011-12 total local secured assessed valuation: \$4,524,999,912.

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

Table 5 below provides a distribution of taxable property located in the District on the 2011-12 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

TABLE 5
MADERA UNIFIED SCHOOL DISTRICT
Fiscal Year 2011-12 Secured Assessed Valuation and Parcels by Land Use⁽¹⁾

<u>Land Use</u>	<u>Secured Assessed Valuation</u>			<u>Assessor Parcels</u>		
	<u>2011-12 Secured Assessed Valuation⁽¹⁾</u>	<u>% of Total Assessed Valuation</u>	<u>Cumulative % of Total</u>	<u>Number of Parcels</u>	<u>% of Total Parcels</u>	<u>Cumulative of Total</u>
Residential						
Single Family Residence	\$1,831,146,443	0.40%	40.48%	16,056	57.96%	57.96%
Condominium/Townhouse	35,622,344	0.01%	41.26%	333	1.20%	59.16%
2-3 Residential Units	52,647,956	0.01%	42.43%	585	2.11%	61.27%
4+ Residential Units/Apartments	155,980,328	0.03%	45.88%	274	0.99%	62.26%
Mobile Home	16,481,310	0.00%	46.24%	316	1.14%	63.40%
Vacant Residential	312,177,889	0.07%	53.14%	5,292	19.10%	82.51%
Other Non-Residential						
Agricultural	849,746,326	0.19%	18.78%	2,814	10.16%	10.16%
Commercial	400,339,899	0.09%	27.63%	980	3.54%	13.70%
Vacant Commercial	52,974,675	0.01%	28.80%	187	0.68%	14.37%
Industrial	765,229,503	0.17%	45.72%	250	0.90%	15.27%
Vacant Industrial	31,579,877	0.01%	46.42%	199	0.72%	15.99%
Recreational	9,479,514	0.00%	46.63%	40	0.14%	16.14%
Government/Social/Institutional	5,620,640	0.00%	46.75%	281	1.01%	17.15%
Vacant Other	1,023,857	0.00%	46.77%	75	0.27%	17.42%
Miscellaneous	3,881,802	0.00%	46.86%	20	0.07%	17.49%
Total	\$4,523,932,363	100.00%		27,702	100.00%	

⁽¹⁾ 2011-12 secured assessed valuation, including homeowner's exemption and excluding tax-exempt property.

NOTE: Excludes valuation of utility property assessed on the unitary roll and utility property assessed by the State Board of Equalization.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes

Table 6 below shows the assessed valuation of single-family homes in the District for tax year 2011-2012.

**TABLE 6
MADERA UNIFIED SCHOOL DISTRICT
Per Parcel Fiscal Year 2011-12 Assessed Valuation of Single-Family Homes**

<u>2011-12 Assessed Valuation</u>	<u>Number of Single Family Properties⁽¹⁾</u>	<u>% of Total Single Family Properties</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	580	3.62%	3.62%
\$25,000 - \$49,999	1,222	7.63%	11.26%
\$50,000 - \$74,999	2,080	13.00%	24.25%
\$75,000 - \$99,999	3,053	19.07%	43.33%
\$100,000 - \$124,999	3,128	19.54%	62.87%
\$125,000 - \$149,999	2,559	15.99%	78.86%
\$150,000 - \$174,999	1,537	9.60%	88.46%
\$175,000 - \$199,999	774	4.84%	93.30%
\$200,000 - \$224,999	444	2.77%	96.07%
\$225,000 - \$249,999	236	1.47%	97.54%
\$250,000 - \$274,999	119	0.74%	98.29%
\$275,000 - \$299,999	89	0.56%	98.84%
\$300,000 - \$324,999	47	0.29%	99.14%
\$325,000 - \$349,999	36	0.22%	99.36%
\$350,000 - \$374,999	21	0.13%	99.49%
\$375,000 - \$399,999	14	0.09%	99.58%
\$400,000 - \$424,999	15	0.09%	99.68%
\$425,000 - \$449,999	12	0.07%	99.75%
\$450,000 - \$474,999	4	0.02%	99.78%
\$475,000 - \$499,999	7	0.04%	99.82%
\$500,000 and greater	<u>29</u>	<u>0.18%</u>	<u>100.00%</u>
Total	16,006	100.00%	

Median Assessed Valuation of Single Family Homes: \$108,181

Mean Assessed Valuation of Single Family Homes: \$114,404

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc. Table prepared by Stone & Youngberg, a Division of Stifel Nicolaus.

THE DISTRICT

Introduction

The District is located in Madera County, California (the “County”), and encompasses approximately 354 square miles. The District’s territory includes all of the incorporated area of the City of Madera (the “City”) and unincorporated territory of the County adjacent to the City. The District currently operates thirteen elementary schools for grades K-6, three elementary schools for grades K-8, three middle schools for grades 7-8, two high schools for grades 9-12, one alternative high school, two continuation high schools and one adult school. Enrollment in the District in 2011-12 is 18,424 students in grades K through 12. The District is also the sponsor of two charter school, grades K-6 and grades K-8, with total enrollment of 423 students.

Board of Education

The District is governed by a seven-member Board of Education, whose members are elected to four year terms. The terms are staggered on two year intervals to provide for continuity of governance. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members or, if there is no majority, by a special election.

The members of the Board of Education and certain District administrative personnel are identified below.

TABLE 7
MADERA UNIFIED SCHOOL DISTRICT
Board of Education

<u>Name</u>	<u>Term Expires</u>
Ricardo Arredondo, President	November, 2012
Michael Salvador, Board Clerk	November, 2014
Ray G. Seibert, Board Member	November, 2012
Lynn Cogdill, Board Member	November, 2014
Robert E. Garibay, Board Member	November, 2012
Maria Velarde-Garcia, Board Member	November, 2014
Jose Rodriguez, Board Member	November, 2014

Source: Madera Unified School District.

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District’s day to-day operations and supervises the work of other District administrators and supervisors. Brief biographies of the Superintendent and other administrative officers are set forth below.

Gustavo Balderas, Superintendent, was named the District’s Superintendent on April 28, 2011. He had previously served as the assistant superintendent for Hillsboro (ORE) School District. He started his career in education in 1992 as an ESL teacher. Over the years he has taught U.S. History and Health. He served as a counseling coordinator from 1998-00. He served as executive director of the office of school performance from 2006-09 and as assistant superintendent for support services until he came to the District. Mr. Balderas graduated from Western Oregon State College in 1990 with a degree in education, and obtained his Master’s degree in Curriculum and Instruction from Portland State in 2002.

Kelly Porterfield, Associate Superintendent of Business and Operations, has been with the District for nine years, serving primarily in facilities planning and construction. He has worked for school districts for 21 years, including Fullerton Union High School District, Grant Union High School District and Washington

Unified School District. He holds a Bachelor’s of Science in Business Management from the University of Redlands.

Teri Bradshaw, Director of Fiscal Services, has been with the District for 20 years of her 22-year career. She started as an accounting technician for Turlock Elementary School District and then came to the District in 1991 as Chief Accountant. She subsequently held the position of Director of Purchasing and has been the Director of Fiscal Services since 2003. She studied Business Administration from Santa Barbara City College and completed the CBO Program at Fresno State University.

Average Daily Attendance and Base Revenue Limit

Between fiscal years 2005-06 and 2010-11, the District’s average daily attendance (“ADA”) increased by approximately 26%. In its fiscal year 2011-12 initial adopted budget, the District has assumed an ADA of 18,191 for purposes of calculating its revenue limit, and has assumed deficated base revenue limit funding of \$5,222.44 per unit of ADA. Additionally, the District implemented a 4% Revenue Limit Trigger Cut which reduced the base revenue limit funding to \$4,962.12. For each unit of average daily attendance, the District receives from the State an amount equal to the deficated base revenue limit. The ADA, Base Revenue Limit and Deficated Base Revenue Limit for fiscal years 2005-06 through 2011-12 are set forth in Table 8 below.

TABLE 8
MADERA UNIFIED SCHOOL DISTRICT
Average Daily Attendance, Base Revenue Limit and Deficated Base Revenue Limit
Fiscal Years 2005-06 through 2011-12

Fiscal Year	Total Average Daily Attendance	Base Revenue Limit per Student per Year	Deficated Base Revenue Limit per Student per Year
2005-06	16,711	\$5,145.39	\$5,099.49
2006-07	17,225	5,525.49	5,525.49
2007-08	17,527	5,777.49	5,777.49
2008-09	17,685	6,106.49	5,627.50
2009-10	17,837	6,368.49	4,946.72
2010-11	17,977	6,364.57	5,221.30
2011-12 ⁽¹⁾	18,191	6,508.04	5,222.44

⁽¹⁾ Estimated.

Source: Madera Unified School District.

Employee Relations

The Madera Unified Teachers Association (“MUTA”) has approximately 931 member employees of the District which include teachers, nurses, school counselors and librarians. The current term of the MUTA collective bargaining agreement will expire June 30, 2012.

The Madera Adult Educators (“MAE”) labor union has 15 members which are teachers at the adult school. The current term of the MAE collective bargaining agreement will expire June 30, 2012.

The Certified Management Bargaining Association (“CMBA”) labor union has 66 member employees of the District which includes principals, vice-principals, department heads and various administrative personnel. The District is currently in salary negotiations for the 2011-12 fiscal year. The current term of the CMBA collective bargaining agreement expires June 30, 2012.

The classified labor union California School Employee’s Association (“CSEA”) has approximately 600 members and includes all classified employees of the District. The current CSEA collective bargaining agreement will expire June 30, 2012.

TABLE 9
MADERA UNIFIED SCHOOL DISTRICT
Employees
Fiscal Years 2005-06 through 2011-12

<u>Fiscal Year</u>	<u>Total Number of Certificated Employees</u>	<u>Total Number of Classified Employees</u>	<u>Total Number Management Employees</u>	<u>Total Number of Employees</u>
2005-06	946	712	93	1,751
2006-07	1,002	718	115	1,835
2007-08	993	754	115	1,862
2008-09	1,002	718	112	1,832
2009-10	942	685	114	1,741
2010-11	923	618	107	1,648
2011-12	924	607	106	1,637

Source: Madera Unified School District.

Retirement Benefits

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

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2011-2012 is 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District’s contributions to STRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$5,262,148, \$5,509,271, and \$5,782,110, respectively, and equal 100% of the required contributions for each year.

See the STRS website for details regarding its programs – <http://www.calstrs.com> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The Board of the STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the fiscal year 2008-09 period, STRS investments lost substantial value at that time. STRS uses an averaging process that recognizes gains and losses over a three-year period, as a result of which the fund is still being impacted by losses incurred during the market downturn. Recent years have seen positive investment returns. The most recent valuation for the period ending June 30, 2010, identified the level of funding for the STRS defined benefit program at 71%, with an estimated actuarial obligation of \$196.3 billion, an actuarial valuation of assets of \$140.3 billion and unfunded actuarial obligations of \$56 billion. In recent years, historical unfunded actuarial obligations for the defined benefit plan have ranged from being over funded in the late 1990’s to the 71% estimated contained in the June 30, 2010 valuation. Contributions to STRS are generally fixed by State law. STRS has indicated the need to develop a gradual and predicible funding solution that is fair to the State’s taxpayers, its educators and the employers.

The District contributes to the School Employer Pool under the State of California Public Employees Retirement System ("CalPERS"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement 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, 200 P Street, Sacramento, CA 95814.

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 is 10.923% of annual 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, 2011, 2010, and 2009, were \$2,018,415, \$1,911,376, and \$1,932,664, respectively, and equal 100% of the required contributions.

See the PERS website for details regarding its programs – <http://www.calpers.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The Board of the PERS adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. In December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three year period the impact of the -24% investment loss experience by PERS in Fiscal Year 2008-09. Recent years have seen positive investment returns. The most recent valuation for the period ending June 30, 2010, identified the level of funding for the PERS defined benefit program at 69.5%, with an estimated actuarial obligation of \$55.3 billion, an actuarial valuation of assets of \$38.4 billion and unfunded actuarial obligations of \$16.9 billion. PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification based on Board approvals as the Board determines how to address the unfunded actuarial obligations.

For fiscal year 2011-12, the District has budgeted for a STRS contribution of \$5,295,335 and a PERS contribution of \$1,769,257.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to the pension plan.

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$2,721,644 (4.267% of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

Retiree Healthcare. The District provides post-employment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 59 for classified and 55 for certificated with at least 15 years of service. As of June 30, 2011, 145 employees meet those eligibility requirements. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as retirees report claims. During 2010-11, expenditures of \$2,477,529 were recognized for retirees' health care benefits.

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$1,760,539 and is reported as long-term debt. The amount paid during the fiscal year 2010-11 related to the early retirement programs totaled \$609,218.

The Government Accounting Standards Board (“GASB”) issued its final accrual accounting standards for retiree healthcare benefits, GASB 45, in June 2004 (“GASB 45”). GASB 45 requires local governmental employers who provide other post-employment 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. GASB 45 establishes standards for the measurement, recognition and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the governmental employer.

Pursuant to GASB 45, the District retained Demsey Filliger & Associates to assess the District’s liabilities in connection with GASB 45. The report was prepared on June 13, 2009, with a July 1, 2009 valuation date. The next report will be valued as of July 1, 2012 under the biennial rules. The report concluded that the amount of actuarial liability (past and present) for the District, as of July 1, 2009, was \$38,860,663. As of July 1, 2009, the most recent actuarial evaluation date, the District did not have a funded plan. The actuarial accrued liability (“AAL”) for benefits was \$25.9 million and the unfunded actuarial accrued liability (“UAAL”) was \$25.9 million.

As of June 30, 2011, financial reporting for the District for OPEB was generally based on pay-as-you-go financing approaches. Such practices fail to measure or recognize the cost of OPEB during the periods when employees render the services or provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

GASB 45 generally provides for prospective implementation; that is, the employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District was required to implement the provisions of GASB 45 beginning in the fiscal year ending June 30, 2009.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2008-09 through 2010-11 are set forth in Table 10 below.

TABLE 10
MADERA UNIFIED SCHOOL DISTRICT
OPEB Obligations
Fiscal Years 2008-09 through 2010-11

<u>Fiscal Year</u> <u>ended June 30</u>	<u>Annual OPEB</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$2,775,723	61.04%	\$1,081,308
2010	\$2,956,668	56.81%	\$2,358,343
2011	\$2,921,147	84.81%	\$2,801,961

Source: Madera Unified School District Audited Financial Statements.

Insurance

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 2011, the District contracted with the California Risk Management Authority (CRMA) 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. The District also pays for workers' compensation through the California Risk Management Authority.

The District has contracted with California's Valued Trust to provide employee health, dental and vision benefits. Benefits are self funded and are paid out of the assets of the Trust. Each participating school district's contribution to the Trust is determined by the collective bargaining agreement between the individual district and CTA or California School Employees Association and/or by the participating agreement between the district and the Trust with respect to employees not covered by a collective bargaining agreement. 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.

DISTRICT FINANCIAL MATTERS

The information in this section concerning the District's general fund finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and 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 levied for the payment thereof by the County. See "SECURITY FOR THE BONDS" herein.

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 State school districts. See APPENDIX B — "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011."

Comparative Financial Statements and 2011-12 Adopted Budget

The District's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States for all governmental funds, except for those funds associated with the District's component units. The Board of Education adopts an operating budget no later than July 1 in accordance with State law. The Board of Education revises the budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in the District's financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major project account.

Table 11 below summarizes the District's Statement of General Fund Revenues, Expenditures and Fund Balances for fiscal years 2007-08 through 2010-11. The figures in Table 11 are taken from the District's audited financial statements. See APPENDIX B — "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011" for District financial information as of June 30, 2011.

TABLE 11
MADERA UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Fund Balances – Fiscal Years 2007-08 through 2010-11

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES				
Revenue limit sources	\$101,884,078	\$100,128,037	\$ 88,794,499	\$ 94,629,234
Federal sources	11,701,473	17,000,761	15,262,345	18,579,176
Other state sources	30,339,297	27,986,191	26,960,627	28,382,851
Other local sources	<u>8,525,434</u>	<u>7,450,289</u>	<u>6,511,492</u>	<u>7,430,632</u>
Total Revenues	<u>\$152,450,282</u>	<u>\$152,565,278</u>	<u>\$137,528,963</u>	<u>\$149,021,893</u>
EXPENDITURES				
Current				
Instruction	\$ 91,669,622	\$ 86,717,130	\$ 85,112,050	\$ 87,603,429
Instruction-related activities:				
Supervision of instruction	3,907,856	4,082,578	4,435,988	4,636,314
Instructional library, media and technology	1,598,231	1,432,527	1,525,540	1,406,589
School site administration	13,736,385	13,327,174	12,084,159	11,452,459
Pupil Services:				
Home-to-school transportation	6,320,228	4,776,298	5,420,813	6,049,609
Food services	840	-	-	102
All other pupil services	7,308,651	7,170,390	6,860,076	6,046,251
General administration:				
Data processing	1,116,149	1,080,005	1,192,526	1,299,795
All other general administration	5,968,946	5,879,230	5,761,947	6,041,566
Plant services	15,253,966	14,761,741	14,339,605	13,994,610
Facility acquisition and construction	196,771	944,284	86,355	7,670
Ancillary services	2,226,116	1,901,570	2,159,317	1,915,061
Community services	16,469	12,137	7,131	13,242
Other outgo	595,632	532,329	1,417,083	859,804
Debt service				
Principal	250,083	263,092	276,778	291,177
Interest and other	<u>163,769</u>	<u>301,105</u>	<u>139,559</u>	<u>212,535</u>
Total Expenditures	<u>\$150,329,714</u>	<u>\$143,181,590</u>	<u>\$140,818,927</u>	<u>\$141,830,213</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,120,568	\$ 9,383,688	(\$ 3,289,964)	\$ 7,191,680
Other Financing Sources (Uses):				
Transfers in	\$ 33,892	\$ 15,056	\$ 7,491	\$ 401,054
Other sources	-	1,052,701	-	-
Transfers Out	<u>(926,258)</u>	<u>-</u>	<u>(\$ 108,374)</u>	<u>(\$ 600,000)</u>
Net Financing Sources (Uses)	(\$ 892,366)	\$ 1,067,757	(\$ 100,883)	(\$ 198,946)
NET CHANGE IN FUND BALANCES	\$ 1,228,202	\$ 10,451,445	(\$ 3,390,847)	\$ 6,992,734
Fund Balance – Beginning	20,181,255	21,409,457	31,860,902	30,034,079
Fund Balance - Ending	\$ 21,409,457	\$ 31,860,902	\$ 28,470,055	\$ 37,026,813

Source: Madera Unified School District Audited Financial Statements for fiscal years 2007-08 through 2010-11.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Madera County Superintendent of Schools.

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

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

A State law adopted in 1991 (known as "AB 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of AB 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. 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 is deemed 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 subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has never received a negative certification. As of October 1, 2011, based on State law the multi-year projections have balanced budgets in all fiscal years and exceed a 3% reserve in fiscal years 2011-12, 2012-13, and 2013-14.

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 State school districts. See APPENDIX B – "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011."

Table 12 below summarizes the District's budgeted and actual income and expenses for fiscal years 2007-08 through 2011-12.

TABLE 12
MADERA UNIFIED SCHOOL DISTRICT
Income and Expenses for Fiscal Years 2007-08 through 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
	<u>Budget</u>	<u>Actual⁽¹⁾</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
REVENUES					
Revenue Limit Sources	\$101,884,078	\$101,884,078	\$100,128,037	\$ 88,794,499	\$ 94,629,234
Federal sources	13,435,184	11,701,473	17,000,761	15,262,345	18,579,176
Other state sources	27,297,287	30,339,297	24,894,189	24,170,465	25,699,041
Other local sources	8,744,683	5,366,399	7,450,289	6,511,492	7,430,632
Total Revenues⁽²⁾	<u>\$151,361,232</u>	<u>\$149,291,247</u>	<u>\$140,685,699</u>	<u>\$134,738,801</u>	<u>\$146,338,083</u>
EXPENDITURES					
Current:					
Certificated Salaries	\$ 72,988,558	\$ 71,574,374	\$ 71,097,217	\$ 66,430,480	\$ 64,417,161
Classified salaries	21,572,702	20,902,756	20,132,900	18,870,095	18,360,232
Employee benefits	31,625,460	31,136,211	31,689,807	31,087,654	34,143,795
Books and supplies	15,990,025	9,855,549	26,719,913	7,404,846	9,198,191
Services and operating expenditures	13,575,118	11,226,561	13,962,174	10,846,807	10,478,521
Other outgo	202,551	238,496	293,182	843,958	375,329
Direct Support/Indirect Costs	-	-	-	-	-
Capital outlay	2,711,215	1,822,880	2,732,435	1,261,306	1,763,437
Debt service-principal	-	-	-	-	291,177
Debt service-interest	-	-	-	-	118,560
Debt service	413,852	413,852	409,737	409,737	-
Total Expenditures	<u>\$159,079,481</u>	<u>\$147,170,679</u>	<u>\$167,037,365</u>	<u>\$138,028,765</u>	<u>\$139,146,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,718,249)</u>	<u>2,120,568</u>	<u>(7,646,266)</u>	<u>(3,289,964)</u>	<u>(132,374)</u>
Other Financing Sources (Uses):					
Transfer In	\$ 33,892	\$ 33,892	\$ 15,056	\$ 7,491	\$ 401,054
Transfers Out	(926,258)	(926,258)	-	(108,374)	(600,000)
Other Sources/Uses	-	-	-	-	-
Net Financing Sources (Uses)	<u>(\$ 892,366)</u>	<u>(\$ 892,366)</u>	<u>(\$ 15,056)</u>	<u>(\$ 100,883)</u>	<u>(\$ 198,946)</u>
NET CHANGE IN FUND BALANCES	<u>(\$ 8,610,615)</u>	<u>\$ 1,228,202</u>	<u>(\$ 7,631,210)</u>	<u>(\$ 3,390,847)</u>	<u>\$ 6,992,734</u>
Fund Balance - Beginning ⁽³⁾	20,181,255	20,181,255	21,409,457	31,860,902	30,034,079
Fund Balance - Ending	\$ 11,570,640	\$ 21,409,457	\$ 13,778,247	\$ 31,860,902	\$ 37,026,813

⁽¹⁾ Excludes on behalf payments made to STRS by the State of California.

⁽²⁾ On behalf payments are not included in the revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Non-Capital Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to Fund 17 are included in the Actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

⁽³⁾ Restated in 2010-11 Audited Financial Statements.

Source: Madera Unified School District audited financial statements 2007-08 through 2010-11. Board Approved Revised Budget for fiscal year 2011-12.

Table 13 below sets forth the District's audited general fund balance sheet for fiscal years 2007-08 through 2010-11.

TABLE 13
MADERA UNIFIED SCHOOL DISTRICT
Summary of Total Governmental Funds Balance Sheet
Fiscal Years 2007-08 through 2010-11

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
ASSETS				
Deposits and investments	\$20,361,591	\$23,051,930	\$20,874,288	\$19,615,239
Receivables	9,977,213	22,168,704	22,946,199	32,103,463
Due from other funds	2,213,780	1,438,468	577,997	158,742
Prepaid expenditures	60,379	73,590	86,888	16,488
Stores inventories	<u>465,224</u>	<u>401,892</u>	<u>464,256</u>	<u>494,233</u>
Total Assets	\$33,078,187	\$47,134,584	\$44,949,628	\$52,388,165
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$11,155,033	\$11,348,145	\$14,854,214	\$11,182,941
Due to other funds ⁽¹⁾	267,666	622,816	-	677
Current Loans	-	-	-	3,240,000
Deferred revenue	<u>246,031</u>	<u>3,302,721</u>	<u>1,625,359</u>	<u>937,734</u>
Total Liabilities	\$11,668,730	\$15,273,682	\$16,479,573	\$15,361,352
FUND BALANCES				
Reserved for:				
Revolving cash	25,000	25,000	10,872	-
Stores inventories	465,224	162,037	464,256	-
Prepaid expenditures	60,379	73,590	86,888	-
Legally restricted balance	5,833,115	10,228,044	4,788,289	-
Unreserved:				
Designated	7,251,582	7,084,221	13,044,738	-
Undesignated, reported in:				
General Fund	7,774,157	14,288,010	10,075,012	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable ⁽²⁾	-	-	-	\$ 538,721
Restricted ⁽²⁾	-	-	-	3,329,863
Committed ⁽²⁾	-	-	-	-
Assigned ⁽²⁾	-	-	-	4,169,748
Unassigned ⁽²⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,988,481</u>
Total Fund Balance	\$21,409,457	\$31,860,902	\$28,470,055	\$37,026,813
Total Liabilities and Fund Balances	\$33,078,187	\$47,134,584	\$44,949,628	\$52,388,165

⁽¹⁾ The California Education Code permits school districts to temporarily transfer moneys held in any fund or account to another fund or account of the district for payment of obligations. The transfer is accounted for as temporary borrowing between funds or accounts. Amounts transferred must be repaid either in the same fiscal year or in the following fiscal year if the transfer takes place within the final 120 calendar days of the fiscal year. The District has used and expects to use interfund borrowing each fiscal year for the foreseeable future to manage reductions in funding to education.

⁽²⁾ Change in fund classification as a result of GASB Statement No. 54. See District's Audited Financial Statements for Fiscal Year ending June 30, 2011.

Source: Madera Unified School District Audited Financial Statements for fiscal years 2007-08 through 2010-11.

Revenue Sources

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and

following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as “basic aid districts.” Districts that receive some State aid are commonly referred to as “revenue limit districts.”

The District is a revenue limit district. Local property tax revenues account for approximately 16.8% of the District’s aggregate revenue limit income, and are budgeted to be \$16,026,621 million, or about 12% of total projected general fund revenue in Fiscal Year 2011-12. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below.

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 sources; (3) other State revenues; and (4) other local sources. Each of these revenue sources is described below.

Revenue Limit Sources

Since fiscal year 1973-74, State school districts have operated under general purpose revenue limits established by the State Legislature. In general, the base revenue limits are calculated for each school district by multiplying (1) the ADA for each such district by (2) a base revenue limit per unit of ADA. The base 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 State school districts of the same type. The base revenue limit is then adjusted by the State deficit factor.

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

In fiscal year 2009-10, the District’s deficated base revenue limit per unit of ADA was \$4,946.72. For fiscal year 2010-11, the District’s deficated base revenue limit per unit of ADA was \$5,221.30. For fiscal year 2011-12, the District budget has assumed a deficated base revenue limit per unit of ADA of \$5,222.44.

In fiscal year 2009-10, the District received \$88,794,499 of revenue limit source income, representing approximately 64% of its general fund revenues. In fiscal year 2010-11 the District received \$94,629,236 of revenue limit source income, representing approximately 65% of its general fund revenues as of June 30, 2011. For fiscal year 2011-12, the District is projecting approximately \$95,211,420 of revenue limit source income, representing 71% of its projected General Fund revenues.

Funding of the District’s revenue limit is accomplished by a mix of (1) local property taxes, and (2) State apportionments of basic and equalization aid. In fiscal year 2010-11, \$21.2 million or 22% of the District’s revenue limit sources were derived from property taxes. Generally, the State’s apportionments amount to the difference between the District’s revenue limit and its local property tax revenues.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. Property taxes collected by the County which are used to pay the principal of and interest on the Bonds do not constitute local property taxes for purposes of being applied toward the District’s revenue limit.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the No Child Left Behind Act, and specialized programs such as nutrition education and Indian education, as well as funds made available under ARRA. The federal revenues, most of which are restricted, comprised approximately 11% of the District's general fund revenues in fiscal year 2009-10, 12% in fiscal year 2010-11, and are projected to equal approximately 7% in fiscal year 2011-12.

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 sources. In addition to such apportionment revenue, the District receives substantial other State revenues ("Other State Revenues"). In fiscal years 2009-10 and 2010-11, Other State Revenues comprised for approximately 20% and 19%, respectively, of total general fund revenues. In fiscal year 2011-12, Other State Revenues are projected to equal approximately 18% of total general fund revenues. Some of the Other State Revenues are restricted to specific types of program uses such as special education. Under temporary flexibility provisions, most Other State Revenues are allowed to be used for the general operating needs of the District.

Other Local Sources

In addition to property taxes, the District receives additional local sources ("Other Local Sources") from items such as the leasing of property owned by the District and interest earnings. In fiscal years 2009-10 and 2010-11, Other Local Sources comprised approximately 5% and 5%, respectively, of total general fund revenues. In fiscal year 2011-12, Other Local Sources are projected to equal approximately 4% of total general fund revenues.

Pass-Through Payments

Under the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. Taxes collected for payment of debt service on school general obligation bonds are not affected or diverted by the operation of a redevelopment agency project area. Certain school districts may enter into "pass-through agreements" with their local redevelopment agencies in order to receive a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on redevelopment agency tax-increment bonds), and in some cases the pass-through is mandated by statute. The tax increment revenues allocable to school districts is intended to alleviate any financial burden or detriment associated with additional facilities needed to accommodate the growth induced by the redevelopment project.

The District is able to receive a portion of the tax increment, either through statutory or contractual entitlements, collected to finance certain redevelopment projects existing within the District. Currently, the District is receiving such payments ("Pass-Through Payments") relating to certain redevelopment project areas pursuant to pass through agreements. The Pass-Through Payments are not pledged to the repayment of the Bonds. See, however, "DISTRICT FINANCIAL MATTERS – State Budget Measures," regarding the elimination of redevelopment agencies under AB X1 26, and "- Recent Litigation and Decision Regarding State Budgetary Provisions," herein. The District has not evaluated how AB X1 26 will impact the receipt of any pass through payments.

Developer Fees

The District maintains a capital project fund, separate and apart from the general fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth.

Collection of such fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current Level I (for residential additions) developer fee is \$2.97 per square foot of habitable space on domestic housing developments. The current Level II (new residential dwelling or second unit) developer fee is \$4.12. The current developer fee on commercial and industrial developments is \$.47 per square foot. As of June 30, 2011, a balance of \$5,119,489 existed in the District's Capital Facilities Fund.

Table 14 below sets forth the collected developer fees for fiscal years 2005-06 through 2010-11.

TABLE 14
MADERA UNIFIED SCHOOL DISTRICT
Developer Fee Collections
Fiscal Years 2005-06 through 2010-11

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
2005-06	\$11,232,945.35
2006-07	3,633,550.68
2007-08	1,927,012.97
2008-09	865,201.78
2009-10	605,678.15
2010-11	781,808.07

Source: Madera Unified School 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 in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

Senate Bill 70. On March 24, 2011, the Governor signed into law Senate Bill 70 ("SB 70"), which implements several provisions included in the Governor's proposed budget for fiscal year 2011-12 (the "Proposed Budget"). Significant features of SB 70 relating to the funding of school districts include the following:

- For fiscal year 2011-12, SB 70 increases the revenue limit deficit factor for county offices of education and school districts to 19.892% and 19.608%, respectively.
- SB 70 extends, for an additional two fiscal years, existing flexibility options available to school districts relating to deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials.

- SB 70 establishes a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12.
- SB 70 authorizes three new cross-fiscal year deferrals of State apportionments, as follows: (1) \$1.3 billion from March to August, (2) \$763,794,000 from April to August, and (3) \$500 million from June to July. SB 70 also makes several one-time modifications to existing 2010-11 intra-fiscal year deferrals. The existing \$2 billion February-to-July deferral is broken down into three deferrals of \$24.7 million to be paid in July, \$1.4 million to be paid in August and \$569.8 million to be paid in September. SB 70 also extends the existing April-to-July deferral to September and the existing May-to-July deferral to September. These deferrals are in addition to existing inter-fiscal year deferrals applicable to fiscal years 2010-11 and 2011-12. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Cash Management Legislation.”
- SB 70 extends eligibility for supplemental categorical block grants to charter schools that begin operations in fiscal year 2011--12. SB 70 also appropriates \$5 million from the State general fund to the Charter School Revolving Loan Fund.
- SB 70 authorizes the State Director of Finance to adjust the State’s Proposition 98 calculation to ensure that any shift in property taxes previously received by redevelopment agencies does not affect the State’s minimum funding obligations under Proposition 98.
- SB 70 implements a reduction to categorical funding for basic aid school districts in proportion to the revenue limit funding reductions experienced by non-basic aid school districts in fiscal years 2008-09 and 2009-10. SB 70 declares the State legislature’s intent to restore this categorical funding at the same time as such revenue limit funding reductions are restored.

The full text of SB 70 is available at <http://www.leginfo.ca.gov/bilinfo>. However, such information is not incorporated in this Official Statement by any reference.

2011-12 Budget. The 2011-12 Budget Act (the “2011-12 Budget”) was signed into law by the Governor on June 30, 2011. The Department of Finance has released its summary of the 2011-12 Budget (the “Department of Finance Report”). The following information is drawn from the Department of Finance Report.

The 2011-12 Budget seeks to close the \$26.6 billion deficit identified in the Governor’s May revision to the Proposed Budget (the “May Revision”), through a combination of measures totaling \$27.2 billion. Specifically, the 2011-12 Budget includes \$15 billion of expenditure reductions, \$900 million of targeted revenue increases, \$2.9 billion of other measures and a positive adjustment to the State’s revenue outlook totaling \$8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately \$1.2 billion above the amounts projected by the May Revision. As a result, the 2011-12 Budget projects an additional \$4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor’s proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State’s revenues.

With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of \$94.8 billion and expenditures of \$91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of \$2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of \$88.5 billion and authorizes total expenditures of \$85.9 billion. The 2011-12 Budget projects that the State will end fiscal year 2011-12 with a \$543 million surplus.

The 2011-12 Budget also includes a series of “trigger” reductions that are authorized to be implemented in the event the State’s revenues are less than forecasted. The first series of reductions, totaling approximately \$600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than \$1 billion. If by January of 2012 revenues are projected to fall short by more than \$2 billion, a second series of reductions totaling approximately \$1.9 billion would be implemented, of which \$1.8 billion relates to K-12 revenue limit funding and home-to-school transportation.

As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of \$1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length the school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means.

Total Proposition 98 funding is decreased in fiscal year 2011-12 to \$48.7 billion, including \$32.8 billion from the State general fund, which reflects a decrease from the prior year of \$1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State’s share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of \$221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of \$578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of \$1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a \$1.7 billion decrease in State general fund revenues as a result of AB X1 27, a companion bill to the 2011-12 Budget. AB X1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals \$1.7 billion statewide. However, AB X1 26 and AB X1 27 were challenged and the Supreme Court upheld AB X1 26 but struck down AB X1 27 as unconstitutional. See “**Recent Litigation and Decision Regarding State Budgetary Provisions**,” herein.

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements under AB 1200. See “DISTRICT FINANCIAL MATTERS – Revenue Limit Sources.” School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of 2011-12 Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 Budget also implements other significant measures with respect to K-12 education funding, as follows:

- *Apportionment Deferral.* An additional deferral of \$1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.
- *Part-Day Preschool.* A decrease of \$62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.
- *Charter Schools.* \$11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.
- *Clean Technology and Renewable Energy Training.* \$3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high

school students with occupational training in areas such as conservation, renewable energy and pollution reduction.

- *Child Care and Development.* A decrease of \$180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.
- *CALTIDES.* A decrease of \$2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicates the program is not a critical need.
- *Office of the Secretary of Education.* The 2011-12 Budget projects a budget savings of \$1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated in this Official Statement by any reference.

Recent Litigation and Decision Regarding State Budgetary Provisions. On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate (the "Petition") with the Supreme Court of California alleging that AB X1 26 and AB X1 27 violate the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22." The petitioners alleged, among other things, that AB X1 26 and AB X1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The Petition was accompanied by an application for a stay seeking to delay implementation of the provisions of AB X1 26 and AB X1 27 until the claims are adjudicated.

On December 29, 2011 the California Supreme Court released its decision in *California Redevelopment Assoc. v. Matosantos*. The Court's ruling with respect to AB X1 26 was that the dissolution measure, is a proper exercise of the legislative power vested in the Legislature by the state Constitution. That power includes the authority to create entities, such as redevelopment agencies, to carry out the state's ends and the corollary power to dissolve those same entities when the Legislature deems it necessary and proper. Proposition 22, while it amended the state Constitution to impose new limits on the Legislature's fiscal powers, neither explicitly nor implicitly rescinded the Legislature's power to dissolve redevelopment agencies. Nor does article XVI, section 16 of the state Constitution, which authorizes the allocation of property tax revenues to redevelopment agencies, impair that power.

However, with respect to AB X1 27, the Court came to a different conclusion. The measure conditioning further redevelopment agency operations on additional payments by an agency's community sponsors to state funds benefiting schools and special districts was invalidated. Proposition 22 (specifically Cal. Const., art. XIII, §25.5, subd. (a)(7)) expressly forbids the Legislature from requiring such payments. Matosantos's argument that the payments are valid because technically voluntary cannot be reconciled with the fact that the payments are a requirement of continued operation. Because the flawed provisions of AB X1 27 are not severable from other parts of that measure, the measure is invalid in its entirety.

Moreover, the District makes no representations as to how the decision by the State Supreme Court will affect the State's ability to fund education in fiscal year 2011-12, or in future fiscal years.

Future Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address 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 or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2011, the District had \$101,441,297 of long-term debt outstanding. The District's general obligation debt, including the Bonds, the District's Series 2005 Bonds (defined below), the District's Series 2006 Bonds (defined below), and the District's Series 2007 Bonds (defined below) is payable from *ad valorem* taxes levied on the parcels within the District, and not from general revenues of the District. On May 14, 2004, the District issued Certificates of Participation (the "2004 Certificates") in the aggregate principal amount of \$18,240,000 pursuant to a lease agreement with the Madera Unified School District Financing Corporation. The District leases equipment, portable class rooms, and school buses pursuant to capital leases.

A schedule of changes in long-term debt for the fiscal year ended June 30, 2011 is set forth in Table 15 below.

TABLE 15
MADERA UNIFIED SCHOOL DISTRICT
Schedule of Changes in Long-Term Debt as June 30, 2011

	Balance			Balance	Due in
	June 30, 2010	Additions	Deductions	June 30, 2011	One Year
General Obligation Bonds-2003 ⁽¹⁾	\$ 13,370,000	\$ -	\$ 115,000	\$ 13,255,000	\$ 155,000
General Obligation Bonds-2005					
Current Interest Bonds	10,190,000	-	870,000	9,320,000	965,000
Capital Appreciation Bonds	17,319,129	885,635	-	18,204,764	-
General obligation bonds-2006					
Current Interest Bonds	1,690,000	-	125,000	1,565,000	140,000
Capital Appreciation Bonds	2,321,030	113,435	-	2,434,465	-
General obligation bonds-2007					
Current Interest Bonds	17,830,000	-	535,000	17,295,000	615,000
Capital Appreciation Bonds	10,792,719	487,714	-	11,280,433	-
Premium	1,141,027	-	51,865	1,089,162	51,865
Certificates of Participation-2004	17,500,000	-	405,000	17,095,000	420,000
State Preschool Revolving Loan	294,774	-	53,682	241,092	53,682
Compensated absences-net	1,135,312	-	116,582	1,018,730	-
Early retirement programs	3,657,246	1,517,983	1,475,716	3,699,513	1,319,313
Capital leases	2,432,354	-	291,177	2,141,177	306,324
Other postemployment benefits	<u>2,358,343</u>	<u>3,074,585</u>	<u>2,630,967</u>	<u>2,801,961</u>	<u>-</u>
Total	<u>\$102,031,934</u>	<u>\$6,079,352</u>	<u>\$6,669,989</u>	<u>\$101,441,297</u>	<u>\$4,026,184</u>

⁽¹⁾ The outstanding Series 2003 Bonds are being refunded by the Bonds.

Source: Madera Unified School District.

Repayment schedules for certain of the debts/obligations are contained in APPENDIX B — "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011."

General Obligation Bonds

The 2002 Authorization pursuant to the Election of 2002 Bonds approved at an election held on November 5, 2002, by an affirmative vote of 63.5% of the votes cast by eligible voters within the District (the "2002 Authorization") to issue not to exceed \$46,000,000 of general obligation bonds. The election was

conducted pursuant to California State Proposition 39 of November 2000 (and applicable statutes), which amended Article XIII A of the California Constitution to permit the approval of general obligation bonds of a school district by 55% or more of the votes cast on the measure, subject to certain accountability features (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein). The Election of 2002 Bonds consist of \$16,200,000 aggregate principal amount of the Series 2003 Bonds (which are to be refunded in part by the Bonds), \$25,999,103.50 aggregate principal amount of General Obligation Bonds, Election of 2002, Series 2005 Bonds (the “Series 2005 Bonds”) and \$3,800,058.80 of General Obligation Bonds, Election of 2002, Series 2006 Bonds (the “Series 2006 Bonds”). The Series 2006 Bonds represented the final series of bonds within the 2002 Authorization. After the sale of the Series 2006 Bonds, there was no principal remaining from the 2002 Authorization for the issuance of additional bonds to fund new money projects.

The District received authorization at an election held on November 7, 2006, by an affirmative vote of 60.6% of the votes cast by eligible voters within the District (the “2006 Authorization”) to issue not to exceed \$32,500,000 of general obligation bonds. The election was conducted pursuant to California State Proposition 39 of November 2000 (and applicable statutes), which amended Article XIII A of the California Constitution to permit the approval of general obligation bonds of a school district by 55% or more of the votes cast on the measure, subject to certain accountability features (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein). The Series 2007 Bonds represented the first series of bonds within the 2006 Authorization. There is \$4,501,461.05 principal amount remaining in the 2006 Authorization for the issuance of additional bonds to fund new money projects. The District may determine in the future to refund any series of the Election of 2002 Bonds or the Election of 2006 Bonds in accordance with the provisions of the California Government Code.

The following table shows combined debt service with respect to the Series 2003 Bonds, Series 2005 Bonds, Series 2006 Bonds and Series 2007 Bonds, assuming no optional redemption:

TABLE 16
MADERA UNIFIED SCHOOL DISTRICT
General Obligation Bonds
Outstanding Aggregate Debt Service

Year Ending August 1,	Series 2003 Bonds⁽¹⁾	Series 2005 Bonds	Series 2006 Bonds	Series 2007 Bonds	Total Annual Debt Service
2012	\$ 517,232.50	\$ 1,477,750.00	\$ 206,010.00	\$ 1,490,587.50	\$ 3,691,580.00
2013	876,665.00	1,544,750.00	220,010.00	1,562,587.50	4,204,012.50
2014	916,705.00	1,615,750.00	228,210.00	1,625,587.50	4,386,252.50
2015	958,655.00	1,690,250.00	235,810.00	1,699,787.50	4,584,502.50
2016	998,992.50	1,767,750.00	247,810.00	1,774,587.50	4,789,140.00
2017	1,046,192.50	1,842,750.00	259,010.00	1,853,587.50	5,001,540.00
2018	1,095,035.00	1,925,000.00	270,010.00	1,935,250.00	5,225,295.00
2019	1,140,157.50	2,015,000.00	280,000.00	2,020,750.00	5,455,907.50
2020	1,196,420.00	2,100,000.00	295,000.00	2,108,500.00	5,699,920.00
2021	1,248,300.00	2,200,000.00	305,000.00	2,203,000.00	5,956,300.00
2022	1,302,612.50	2,300,000.00	325,000.00	2,298,500.00	6,226,112.50
2023	1,361,937.50	2,400,000.00	335,000.00	2,404,500.00	6,501,437.50
2024	1,425,750.00	2,510,000.00	350,000.00	2,510,000.00	6,795,750.00
2025	1,486,250.00	2,625,000.00	365,000.00	2,620,000.00	7,096,250.00
2026	1,556,000.00	2,740,000.00	385,000.00	2,735,000.00	7,416,000.00
2027	1,624,250.00	2,865,000.00	405,000.00	2,855,000.00	7,749,250.00
2028	1,695,750.00	2,995,000.00	425,000.00	2,985,000.00	8,100,750.00
2029	-	4,650,000.00	675,000.00	3,115,000.00	8,440,000.00
2030	-	4,805,000.00	760,000.00	3,255,000.00	8,820,000.00
2031	-	-	-	3,475,000.00	3,475,000.00
Totals	\$20,446,905.00	\$46,069,000.00	\$6,571,870.00	\$46,527,225.00	\$119,615,000.00

⁽¹⁾ Represents Series 2003 Bonds debt service prior to refunding by the Bonds.
Source: The Underwriter.

Capitalized Leases

The District leases certain portable classrooms and office equipment under capitalized lease agreements. As of June 30, 2011, the principal balance of the leases was \$2,141,177 with annual lease payments of \$409,737, with a final payment date in 2018.

Certificates of Participation

In June of 2004, the District issued its \$18,240,000 Certificates of Participation (2004 School Facilities Project) (the "2004 Certificates") pursuant to a Lease Agreement with the Madera Unified School District Financing Corporation. The 2004 Certificates have a final maturity in 2033. The proceeds of the 2004 Certificates were used to fund the construction of new schools for the District and to refinance outstanding certificates of the District issued in 1993.

TABLE 17
ANNUAL LEASE PAYMENTS
Certificates of Participation
Madera Unified School District

<u>Annual Lease Payment</u> <u>Year Ending (June 30)</u>	<u>2004 Certificates</u>
2012	\$ 1,274,468.76
2013	1,270,768.76
2014	1,270,862.52
2015	1,272,112.52
2016	1,272,112.52
2017	1,275,862.52
2018	1,273,112.52
2019	1,274,112.52
2020	1,273,612.52
2021	1,271,612.52
2022	1,273,112.52
2023	1,272,862.52
2024	1,270,862.52
2025	1,272,112.52
2026	1,271,362.52
2027	1,273,612.52
2028	1,273,612.52
2029	1,271,362.52
2030	1,275,625.00
2031	1,272,068.76
2032	1,270,950.00
2033	<u>1,272,012.52</u>
TOTAL	\$33,782,362.92

State Preschool Revolving Loan

The District entered into four agreements with the California Department of Education for non-interest loans for child care facilities at the Madison Elementary School, the George Washington Elementary School, the Cesar Chavez Elementary School and the Pershing Elementary School sites. The District is required to make annual loan payments in the amount of \$33,735 on January 1 for the next six years.

Tax and Revenue Anticipation Notes

In July 2011, the District issued \$4,965,000 of tax and revenue anticipation notes ("TRANS") maturing March 1, 2012, to supplement general fund cash flow during fiscal year 2011-12.

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$1,018,730.

Early Retirement

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$3,699,513 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$1,475,716.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$2,956,668, and contributions made by the District during the year were \$2,477,529. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$117,917 and \$(153,438), respectively, which resulted in an increase to the net OPEB obligation of \$443,618. As of June 30, 2011, the net OPEB obligation was \$2,801,961.

Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District is shown in Table 18 below. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The District has not reviewed the following table for completion or accuracy and makes no representation in connection therewith.

TABLE 18
MADERA UNIFIED SCHOOL DISTRICT
Estimated Direct and Overlapping Bonded Debt
As of January 13, 2012

2011-12 Assessed Valuation:	\$4,812,036,173		
Redevelopment Incremental Valuation:	(696,826,231)		
Adjusted Assessed Valuation:	\$4,115,209,942		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 2/1/12</u>
State Center Community College District		6.996%	\$ 7,517,202
Madera Unified School District		100.000	64,082,702⁽¹⁾
City of Madera Community Facilities District No. 2006-1		100.000	<u>2,825,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 74,424,904
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Madera County Certificates of Participation		39.545%	\$6,977,715
Madera County Office of Education Certificates of Participation		39.545	5,866,501
Madera Unified School District Certificates of Participation		100.000	16,675,000
City of Madera Certificates of Participation		100.000	<u>3,375,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 32,894,216
COMBINED TOTAL DEBT			\$107,319,120 ⁽²⁾
<u>Ratios to 2011-12 Assessed Valuation:</u>			
Direct Debt (\$64,082,702)			1.33%
Total Direct and Overlapping Tax and Assessment Debt.....			1.55%
<u>Ratios to Adjusted Assessed Valuation:</u>			
Combined Direct Debt (\$80,757,702)			1.96%
Combined Total Debt			2.61%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11:	\$0		

⁽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.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds is payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. See “THE BONDS” and “SECURITY FOR THE BONDS.” Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this 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 XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full 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 XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the 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 “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF BONDS — Assessed Valuations.”

Article XIII A 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 XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by 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 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

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

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 — Revenue Sources.”

Article XIII B of the California Constitution

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

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

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

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

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

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

Article XIII B also includes a requirement that 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 "Proposition 98" and "Proposition 111" below.

The District has an established appropriations limit for fiscal year 2011-12 of \$102,708,686.74. The District does not anticipate exceeding its appropriations limit.

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

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

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State 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.

Proposition 111

On June 5, 1990, the voters of California approved the “Traffic Congestion Relief and Spending Limitation Act of 1990” (“Proposition 111”), which modified the State Constitution to alter the Article XIII B

spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

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

c. Exclusions from Spending Limit. Two new exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for “qualified capital outlay projects” as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the nine cents per gallon level, 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. The latter provisions were necessary to make effective the transportation funding package approved by the legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by at least 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the

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

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters voting on the measure. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district) when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

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 cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-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 is authorized to shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's

total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources. SB 82 authorizes the deferral of State apportionments during fiscal year 2011-12, as follows: (i) \$700 million from July 2011 to September 2011, (ii) \$700 million from July 2011 to January 2012, (iii) \$1.4 billion from August 2011 to January 2012, (iv) \$2.4 billion from October 2011 to January 2012, and (v) \$1.4 billion from March 2012 to April 2012. Collectively, these deferrals are referred to as the "Cash Management Deferrals." The State Department of Education was required to certify to school districts no later than April 15, 2011 which of the 2011-12 Cash Management Deferrals will be implemented, and in what amounts. On April 15, 2011, the Department of Education released a projected schedule of State apportionments showing that all of the 2011-12 Cash Management Deferrals would be implemented. SB 82 provided 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 or received an exemption from any of the Cash Management Deferrals.

As of June 30, 2011, the State's Cash Management Deferrals to the District totaled approximately \$22,673,303. The deferrals for fiscal year 2011-12 are projected to be approximately \$29,499,355. The District has continued to manage the impact of the State's Cash Management Deferrals internally and by using short-term borrowing options. The District cannot assure that if the State's Cash Management Deferrals continue for a significant period of time, or if the State's Cash Management Deferrals are increased, that the District will be able to resort to additional short-term borrowing options in order to manage its cash flow. See "DISTRICT FINANCIAL MATTERS."

In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Director of Finance 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, State 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.

Recent Litigation Regarding State Funding of Education

Robles Complaint. On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, including the District, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution. On January 14, 2011, the Superior

Court dismissed major portions of the case, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State, but rejecting the claim that the State Constitution mandates an overall qualitative standard for public education. At a hearing held on July 1, 2011, the Superior Court sustained the defendant's demurrer to the plaintiff's first amended complaint filed on March 16, 2011, determining that the plaintiffs failed to state an equal protection claim. The Superior Court granted the plaintiffs leave to amend their complaint with respect to the equal protection claim. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to file an amended complaint. On August 22, 2011, the Superior Court grants the plaintiffs' request for an extension of time to file their amended complaint until September 2011. No amended complaint was filed. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint would affect the financial status of the District or the State.

Proposition 98 Litigation. On September 28, 2011, the California School Board Association, the Association of California School Administrators and some California unified school districts filed a lawsuit, *California School Boards Association et al. v. State of California et al.* (San Francisco County Superior Court, No. CGC-11-514689), against the State challenging the 2011-12 State Budget. The plaintiffs assert, among other things, that the 2011-12 State Budget is in violation of the State's constitutional obligation to fund public education. Pursuant to the 2011-12 State Budget, the State diverted a portion of the State's sales and use tax revenues from the State general fund to counties and cities and thereby excluded such revenues from the calculation of the required Proposition 98 minimum funding guarantee. See "Proposition 98" above. The plaintiffs allege that the State improperly lowered the Proposition 98 minimum funding guarantee by redefining these revenues, which are expected to total approximately \$5.1 billion in fiscal year 2011-12 as "not general fund revenues." Accordingly, the aggregate amount of State general fund revenues used to calculate the minimum guarantee under the first test of Proposition 98 was reduced. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and "- Proposition 111" herein. Due to this action, among other things, the plaintiffs allege that the minimum funding requirement set forth in the 2011-12 State Budget is at least \$2.1 billion less than the amount required by Proposition 98. The 2011-12 State Budget provides that the modified calculation may be terminated if voters approve certain ballot measures at or prior to the statewide election in November 2012. In the alternative, the State may adopt a five year repayment plan. The petitions allege that neither option satisfies the minimum guarantee under Proposition 98, and have requested a judicial declaration directing the State to recalculate the minimum guarantee under Proposition 98 and implement such recalculation in a manner to ensure that school and community college districts do not receive less than the constitutionally required minimum level of funding. The District cannot predict whether or to what extent the plaintiffs' lawsuit will succeed or, if successful, how any final court decision with respect to the lawsuit would affect the financial status of the District.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time other initiative measures could be adopted by California voters or legislation enacted by the State Legislature, 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.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), a form of which is attached to this Official Statement as Appendix D, the District has agreed to provide certain annual financial and operating data to the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), which can be found at www.emma.msrb.org, not later than the

March 1 following the end of each fiscal year of the District. In addition, the District has agreed to report the occurrence of certain material events. Filings to be made under the Continuing Disclosure Agreement of the District are to be made to EMMA. See APPENDIX D — “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

These covenants in the Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. The Owners of the Bonds are third party beneficiaries of the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement is not an event of default under the Resolution. In addition, no person or entity shall be entitled to recover any monetary damages under the Continuing Disclosure Agreement and the sole remedy is to bring an action against the District to compel performance with the terms of the agreement. The District is in compliance with its disclosure obligations for the last five years.

LEGAL MATTERS

Tax Exemption

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel further notes, however, that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the District, the Underwriter 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 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 interest 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.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Resolution.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel’s opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform

any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for auditing 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 (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

Legal Opinion

Best Best & Krieger LLP, Riverside, California, Bond Counsel, will render an opinion with respect to the validity of the Bonds. A copy of the proposed form of such approving opinion is attached hereto as APPENDIX A. Certain legal matters will be passed upon for the District by Best Best & Krieger LLP, Riverside, as District Counsel and as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado.

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.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District 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 or to collect other revenues or contesting the District’s ability to issue and retire the Bonds.

MISCELLANEOUS

Ratings

Fitch Ratings and Standard & Poor’s Financial Services LLC have assigned ratings of “AA-” and “A+,” respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of the ratings should be obtained from: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions of their own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

Bond Insurance

The District has made application for municipal bond insurance with respect to the Bonds and will determine prior to the sale of the Bonds whether to purchase such municipal bond insurance.

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$ _____ (consisting of the principal amount of the Bonds of \$ _____, plus original issue premium in the amount of \$ _____, less Underwriter's discount in the amount of \$ _____).

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

Audited Financial Statements

The District's audited financial statements for fiscal year 2010-11, included in this Official Statement have been audited by Vavrinek, Trine, Day & Company, LLP, a professional accountancy corporation, independent auditors, as stated in their report in this Official Statement. Attention is called to the scope limitation described in the auditor's report accompanying the financial statements. Vavrinek, Trine, Day & Company, LLP has not undertaken to update the audited financial statements for fiscal year 2010-11 or its report, and no opinion is expressed by Vavrinek, Trine, Day & Company, LLP with respect to any event subsequent to its report dated December 6, 2011. See APPENDIX B — "DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011."

Verification

Upon delivery of the Bonds, Causey Demgen & Moore Inc., certified public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the Refunded Bonds on August 1, 2012.

Financial Interests

In connection with the issuance of the Bonds, the fees being paid to Best Best & Krieger LLP, as Bond Counsel, Best Best & Krieger LLP, as Disclosure Counsel, The County of Madera Treasurer-Tax Collector as Registrar and Paying Agent, The Bank of New York Mellon Trust Company, N.A., as Escrow Agent, and Kutak Rock LLP, as Underwriter's counsel are contingent upon the issuance and delivery of the Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds and of the statutes and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any Bond owner may obtain copies of District audits and budgets, as available, from the District at 1902 Howard Road, Madera, California 93637. The District may impose a charge for copying, mailing and handling.

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

The delivery of this Official Statement has been duly authorized by the District.

MADERA UNIFIED SCHOOL DISTRICT

By: _____
Associate Superintendent of Business and
Operations

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APPENDIX A
FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Best Best & Krieger LLP, Riverside, California, Bond Counsel to the Madera Unified School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:

[Date of Delivery]

Madera Unified School District
Board of Education
1902 Howard Road
Madera, California 93637

Re: \$13,000,000* Madera Unified School District (Madera County, California) General Obligation Refunding Bonds, Series 2012

Ladies and Gentlemen:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$13,000,000* Madera Unified School District General Obligation Refunding Bonds, Series 2012 (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 proof 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 certifications demonstrate lawful authority for the issuance and sale of the Bonds pursuant to Article 9 (commencing with Section 53550) and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, and a resolution of the Board of Education 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 the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

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

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

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

* Preliminary, subject to change.

the effect on the exclusion from gross income of interest 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 as 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 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 Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest 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 in the Resolution 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,

APPENDIX B
DISTRICT'S AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2011

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**MADERA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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MADERA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Madera Unified School District
Madera, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera Unified School District (the "District") as of and for the year ended June 30, 2011, 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 2010-11*, 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 Madera Unified School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

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.

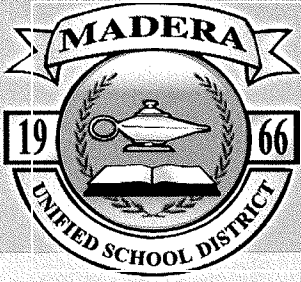
In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison and other postemployment information on pages 58 and 59, are not a required part of the basic financial statements, but are 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 on it.

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*, 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.

Vannink, Trine, Day + Co. LLP

Fresno, California
December 6, 2011



MADERA UNIFIED SCHOOL DISTRICT

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Philip D. Janzen, President
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Ricardo Arredondo, Trustee
Dr. Loraine Goodwin, Trustee
Michael Salvador, Trustee
Ray G. Seibert, Trustee
Michael H. Westley, Trustee

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2010-11

This section of Madera Unified School District (MUSD) annual financial report presents the District's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

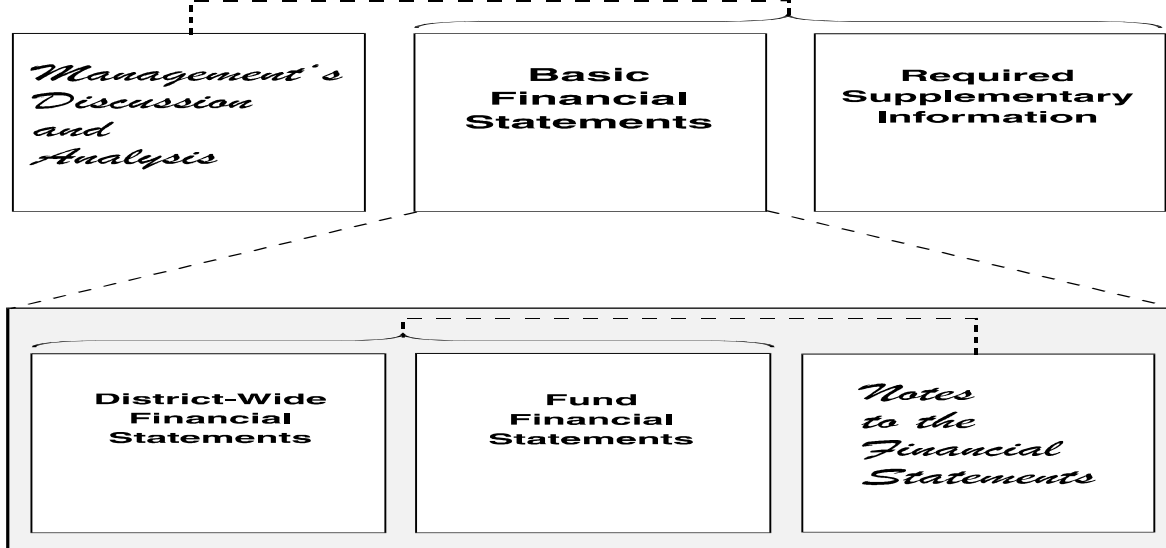
- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Where the futures of children
are driven by their
aspirations, not bound by
their circumstances.

MADERA UNIFIED SCHOOL DISTRICT Management Discussion and Analysis 2010-11

Figure A-1. Organization of Madera Unified's Annual Financial Report



Summary **Detail**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

Type of Statements	Fund Statements		
	District-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities.
Required financial statements	<ul style="list-style-type: none"> • statement of net assets • statement of activities 	<ul style="list-style-type: none"> • balance sheet • statement of revenues, expenditures & changes in fund balances • reconciliation to governmentwide financial statements 	<ul style="list-style-type: none"> • statement of fiduciary net assets • statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

DISTRICT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are combined into one category:

- Governmental activities - The District's basic services are included here, such as regular and special education, transportation, food services, adult education and administration. Property taxes, state formula aid and fees charged, finance most of these activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law.
- The District establishes other funds to control and manage money for particular purposes (like food services and adult education) or to show that it is properly using certain revenues.

The District has three kinds of fund types:

- Governmental funds - The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

- Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The District's Self-Insurance Fund is reported as an internal service fund. The internal service fund is reported with governmental activities in the government-wide financial statements.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$170.5 million on June 30, 2011, increasing by \$4.1 million (2.5 percent). (see Table A-1.)

Table A-1
Net Assets
(in millions of dollars)

	Governmental Activities		
	2011	2010	Change
Current and Other Assets	\$ 87.1	\$ 83.5	\$ 3.6
Capital Assets	200.4	202.2	(1.8)
Total Assets	287.5	285.7	1.8
Long-Term Obligations Outstanding	101.4	102.0	(0.6)
Other Liabilities	15.6	17.3	(1.7)
Total Liabilities	117.0	119.3	(2.3)
Invested in Capital Assets, net of related debt	120.0	122.4	(2.4)
Restricted	23.2	26.3	(3.1)
Unrestricted	27.3	17.7	9.6
Total Net Assets	\$ 170.5	\$ 166.4	\$ 4.1

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

Changes in net assets. The District's total governmental revenues were \$170.5 million (see Table A-2). Property taxes and state aid formula accounted for most of the District's revenue, with federal and state unrestricted aid contributing about \$94.7 million and property taxes contributing about \$21.2 million. Another \$46.2 million came from categorical programs and capital grants, \$2.1 million came from fees charged for services, and \$6.3 million from miscellaneous sources including developer fees.

The total cost of all governmental programs and services was \$160.9 million. The District's expenses are predominantly related to educating and caring for students (78.9%). The purely administrative activities of the District accounted for just 4.9% of total costs. Maintenance and operations account for 9.2% of the District's expenses.

Total revenues surpassed expenses, increasing net assets \$4.1 million over last year. Governmental activities contributed to the District's healthier fiscal status.

Table A-2
Changes in Net Assets
(in millions of dollars)

	Governmental Activities		
	2011	2010	Change
Revenues:			
General Revenues:			
Federal and State Aid Formula	\$ 94.7	\$ 87.6	\$ 7.1
Property Taxes	21.2	21.4	(0.2)
Other	6.3	6.9	(0.6)
Program Revenues:			
Charges for Services	2.1	2.1	-
Categorical Revenues and Capital Grants	46.2	40.3	5.9
Total Revenues	<u>170.5</u>	<u>158.3</u>	<u>12.2</u>
Expenses:			
Instruction Related	112.8	114.8	(2.0)
Pupil Services	19.4	19.9	(0.5)
General Administration	8.0	7.5	0.5
Plant Services	14.9	16.2	(1.3)
Other	11.3	8.0	3.3
Total Expenses	<u>166.4</u>	<u>166.4</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u><u>\$ 4.1</u></u>	<u><u>\$ (8.1)</u></u>	<u><u>\$ 12.2</u></u>

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

GOVERNMENTAL ACTIVITIES

The recent good health of the District's finances can be credited both to diligent planning and monitoring of the budget to sustain financial solvency:

- During the past 3 years, \$21.9 million in budget reductions have been made to maintain the District's financial solvency during the State's fiscal crisis. In 2008-09, \$4.4 million in budget reductions were made along with an additional \$5.4 million in reductions in 2009-10, and \$12.1 million in reductions in 2010-11.
- Revenue Limit funding in 2010-11 was approximately 6.6% higher than 2009-10, due to the 2009-10 one-time per ADA reduction of \$253 being funded in 2010-11.
- In spite of the budget reductions, the District was able to maintain an average of 15.3:1 student teacher ratio in grades K-3 rather than the 28:1 staffing ratio budgeted during the 2010-11 fiscal year.
- The receipt of one-time Federal Ed Jobs Funding, additional State Fiscal Stabilization Funding, prior year Mandated Costs reimbursements, and conservative spending also contributed to the increased ending fund balance.
- The Net Capital Assets decreased \$1.8 million due to depreciation and removal of surplus property.

Table A-3 presents the cost of six major District activities: instruction, student transportation services, food services, general administration, plant services, and other costs. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3
Net Cost of Governmental Activities
(in millions of dollars)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	112.8	114.8	\$ 82.1	\$ 89.5
Student Transportation	5.6	5.1	2.1	1.3
Food Services	7.7	7.7	(1.2)	(1.4)
All Other Pupil Services	6.1	7.1	4.7	6.4
General Administration	8.0	7.5	6.7	6.2
Plant Services	14.9	16.2	14.0	15.5
Other	11.3	8.0	9.7	6.4
Total	\$ 166.4	\$ 166.4	\$ 118.1	\$ 123.9

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$70.4 million which was an increase of \$5.8 million over the prior year. The primary reasons for the increase were:

- The increase in the General Fund Balance of \$7.0 million is due primarily to not allocating the 3.85% reduction to Revenue Limit included in the Adopted Budget after the State Budget was adopted, the receipt of additional one-time Federal Ed Jobs Funding, additional one-time State Fiscal Stabilization Funding, and prior-year Mandated Cost Reimbursements.
- The capital projects fund decreased by \$1.7 million due to continued capital outlay.
- The debt service funds increased by about \$0.2 million as local debt service tax revenues exceeded debt service costs.
- The special revenue funds increased by \$0.3 million. Although the deferred maintenance fund decreased by \$0.7 million due to ongoing maintenance, the cafeteria fund increased by about \$1.3 million due to purchasing more products under contract at a lower cost and serving more reimbursable free meals.

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 in June, 2011. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.) Significant Federal and State revenue revisions were made during the year increasing those estimates as it became apparent that actual increases would be realized. Corresponding expenditure revisions were made as well.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011, the District had invested \$200.4 million in a broad range of capital assets, including land, school buildings, computer and audio visual equipment, and administrative offices. (See Table A-4.) This amount represents a net decrease of \$1.8 million or 0.9% over last year. Total accumulated depreciation for the year exceeded \$62.1 million.

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

Table A-4
Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Total Percentage Change
	2011	2010	
Land	\$ 13.8	\$ 13.8	0.0%
Site Improvements	9.1	9.1	0.0%
Construction in Progress	3.7	2.3	60.9%
Buildings	168.1	171.8	-2.2%
Furniture and Equipment	5.7	5.2	9.6%
Total	\$ 200.4	\$ 202.2	-0.9%

LONG-TERM OBLIGATIONS

At year-end the District had \$101.4 million long-term obligations outstanding – a decrease of 0.4% from last year - as shown in Table A-5.

Table A-5
Outstanding Long-Term Obligations
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2011	2010	
General Obligation Bonds	\$ 74.5	\$ 74.6	-0.1%
Certificates of Participation	17.1	17.5	-2.3%
Capital Leases Payable	2.1	2.4	-12.5%
Early Retirement	3.7	3.7	0.0%
Compensated Absences	1.0	1.1	-9.1%
Other Postemployment Benefits	2.8	2.4	16.7%
State Preschool Loan	0.2	0.3	-33.3%
Total	\$ 101.4	\$ 102.0	\$ (0.4)

The District's S&P bond rating as of the most recent bond issuance was "AAA". In addition, the District's certificates of participation S&P rating at the time of their last issuance was "AAA".

MADERA UNIFIED SCHOOL DISTRICT

Management Discussion and Analysis 2010-11

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State Budget deficit and the impact this will have on funding for education in future years.
- The State's ability to meet the cash flow obligations.
- The outcome of District's negotiations with the various unions cannot be predicted.
- The future costs of Health and Welfare benefits are anticipated to increase. The rates for active employees increased 1.54% in 2011-12, the current District Contribution is \$14,185 per employee working more than four hours per day, five days per week.
- One-time and on-going costs associated with re-opening Ripperdan and Mountain Vista as school sites in the future.
- The on-going cost of funding post employment benefits for retirees per GASB 45.
- The reduction in Developer Fee revenue due to the changes in the current economy.
- Changing enrollment trends reflecting minimal growth compared to previous years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Madera Unified School District, 1902 Howard Road, Madera, California 93637.

MADERA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 51,390,594
Receivables	33,969,884
Prepaid expenses	16,488
Deferred issuance costs	1,111,921
Stores inventories	634,138
Nondepreciable capital assets	17,437,702
Capital assets being depreciated	245,067,196
Accumulated depreciation	<u>(62,129,275)</u>
Total Assets	<u>287,498,648</u>
LIABILITIES	
Accounts payable	11,398,341
Deferred revenue	938,780
Current loans	3,240,000
Current portion of long-term obligations	4,026,184
Noncurrent portion of long-term obligations	<u>97,415,113</u>
Total Liabilities	<u>117,018,418</u>
NET ASSETS	
Invested in capital assets, net of related debt	120,014,418
Restricted for:	
Debt service	3,713,862
Capital projects	9,921,975
Educational programs	4,252,866
Other activities	5,246,175
Unrestricted	<u>27,330,934</u>
Total Net Assets	<u>\$ 170,480,230</u>

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

MADERA UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 94,733,405	\$ 70,671	\$ 25,025,965
Instruction-related activities:			
Supervision of instruction	4,645,649	123	3,856,259
Instructional library, media, and technology	1,415,388	747	385,176
School site administration	12,011,433	165,392	1,154,081
Pupil services:			
Home-to-school transportation	5,634,784	525,379	2,995,015
Food services	7,650,948	936,582	7,926,718
All other pupil services	6,093,300	183	1,375,898
Administration:			
Data processing	1,450,835	-	7,358
All other administration	6,533,475	46,944	1,247,205
Plant services	14,901,720	58,664	880,901
Ancillary services	1,854,864	-	22,998
Community services	13,242	-	129
Interest on long-term obligations	4,625,958	-	-
Other outgo	4,816,556	302,969	1,321,132
Total Governmental Activities	\$ 166,381,557	\$ 2,107,654	\$ 46,198,835
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			
Transfers			
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**

\$	(69,636,769)
	(789,267)
	(1,029,465)
	(10,691,960)
	(2,114,390)
	1,212,352
	(4,717,219)
	(1,443,477)
	(5,239,326)
	(13,962,155)
	(1,831,866)
	(13,113)
	(4,625,958)
	(3,192,455)
	<u>(118,075,068)</u>
	16,948,593
	3,810,191
	472,158
	94,636,217
	643,604
	143,766
	5,501,562
	<u>122,156,091</u>
	4,081,023
	166,399,207
\$	<u><u>170,480,230</u></u>

MADERA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 19,615,239	\$ 13,615,571	\$ 18,159,784
Receivables	32,103,463	-	1,866,421
Due from other funds	158,742	-	561,317
Prepaid expenditures	16,488	-	-
Stores inventories	494,233	-	139,905
Total Assets	\$ 52,388,165	\$ 13,615,571	\$ 20,727,427
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,182,941	\$ -	\$ 215,400
Due to other funds	677	13,416	705,966
Current loans	3,240,000	-	-
Deferred revenue	937,734	-	1,046
Total Liabilities	15,361,352	13,416	922,412
Fund Balances:			
Nonspendable	538,721	-	143,045
Restricted	3,329,863	13,602,155	16,991,966
Committed	-	-	1,274,318
Assigned	4,169,748	-	1,395,686
Unassigned	28,988,481	-	-
Total Fund Balances	37,026,813	13,602,155	19,805,015
Total Liabilities and Fund Balances	\$ 52,388,165	\$ 13,615,571	\$ 20,727,427

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

**Total
Governmental
Funds**

\$ 51,390,594
33,969,884
720,059
16,488
634,138

\$ 86,731,163

\$ 11,398,341
720,059
3,240,000
938,780

16,297,180

681,766
33,923,984
1,274,318
5,565,434
28,988,481

70,433,983

\$ 86,731,163

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MADERA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balance - Governmental Funds		\$ 70,433,983
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	\$ 262,504,898	
Accumulated depreciation is	<u>(62,129,275)</u>	
Net Capital Assets		200,375,623
Expenditures relating to issuance of debt were recognized on modified accrual basis, but are amortized over the life of the debt on the accrual basis.		1,111,921
Long-term obligations at year-end consist of:		
Bonds payable	74,443,824	
Certificates of participation	17,095,000	
State preschool loan program	241,092	
Compensated absences (vacations)	1,018,730	
Early retirement programs	3,699,513	
Capital leases payable	2,141,177	
Net OPEB obligation	<u>2,801,961</u>	
Total Long-Term Obligations		<u>(101,441,297)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 170,480,230</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Building Fund	Non-Major Governmental Funds
REVENUES			
Revenue limit sources	\$ 94,629,234	\$ -	\$ -
Federal sources	18,579,176	-	8,128,261
Other State sources	28,382,851	-	2,392,947
Other local sources	7,430,632	182,060	6,728,802
Total Revenues	149,021,893	182,060	17,250,010
EXPENDITURES			
Current			
Instruction	87,603,429	-	2,209,986
Instruction-related activities:			
Supervision of instruction	4,636,314	-	-
Instructional library, media and technology	1,406,589	-	-
School site administration	11,452,459	-	628,062
Pupil services:			
Home-to-school transportation	6,049,609	-	-
Food services	102	-	7,668,736
All other pupil services	6,046,251	-	29,343
Administration:			
Data processing	1,299,795	-	-
All other administration	6,041,566	-	630,566
Plant services	13,994,610	-	864,884
Facility acquisition and construction	7,670	-	2,238,523
Ancillary services	1,915,061	-	-
Community services	13,242	-	-
Other outgo	859,804	-	-
Debt service			
Principal	291,177	-	2,103,682
Interest and other	212,535	-	2,870,132
Total Expenditures	141,830,213	-	19,243,914
Excess (Deficiency) of			
Revenues Over Expenditures	7,191,680	182,060	(1,993,904)
Other Financing Sources (Uses)			
Transfers in	401,054	-	3,555,698
Transfers out	(600,000)	(1,690,279)	(1,276,604)
Net Financing Sources (Uses)	(198,946)	(1,690,279)	2,279,094
NET CHANGE IN FUND BALANCES	6,992,734	(1,508,219)	285,190
Fund Balance - Beginning	30,034,079	15,110,374	19,519,825
Fund Balance - Ending	\$ 37,026,813	\$ 13,602,155	\$ 19,805,015

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

**Total
Governmental
Funds**

\$	94,629,234
	26,707,437
	30,775,798
	14,341,494
	<u>166,453,963</u>
	89,813,415
	4,636,314
	1,406,589
	12,080,521
	6,049,609
	7,668,838
	6,075,594
	1,299,795
	6,672,132
	14,859,494
	2,246,193
	1,915,061
	13,242
	859,804
	2,394,859
	<u>3,082,667</u>
	<u>161,074,127</u>
	<u>5,379,836</u>
	3,956,752
	<u>(3,566,883)</u>
	<u>389,869</u>
	<u>5,769,705</u>
	64,664,278
\$	<u><u>70,433,983</u></u>

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds **\$ 5,769,705**
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 depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (5,887,754)	
Capital outlays	4,054,811	
Net Expense Adjustment		(1,832,943)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) 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). This year, special termination benefits accepted exceeded those paid by \$42,267. Vacation earned was less than the amounts paid by \$116,582.

74,315

Postemployment benefits other than pensions (OPEB): In governmental funds, 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:

(443,618)

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 and does not affect the Statement of Activities:

General obligation bonds	1,645,000
Certificates of participation	405,000
State preschool loan program	53,682
Capital lease obligations	291,177

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

MADERA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2011

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of cost of issuance	\$ (56,507)	
Amortization of bond premium	51,865	
Combined adjustment		\$ (4,642)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.

(1,486,784)

An internal service fund was used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The fund is inactive and the balance of \$389,969 has been transferred to the General Fund.

(389,869)

Change in Net Assets of Governmental Activities

\$ 4,081,023

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

MADERA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	\$ -
Total Current Assets	<u>-</u>
LIABILITIES	
Current Liabilities	-
Total Current Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	-
Total Net Assets	<u>\$ -</u>

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

MADERA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
NONOPERATING EXPENSES	
Transfers out	\$ (389,869)
Total Nonoperating Expenses	<u>(389,869)</u>
Change in Net Assets	(389,869)
Total Net Assets - Beginning	<u>389,869</u>
Total Net Assets - Ending	<u><u>\$ -</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
	<u> </u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	\$ (389,869)
Net Decrease in Cash and Cash Equivalents	<u>(389,869)</u>
Cash and Cash Equivalents - Beginning	<u>389,869</u>
Cash and Cash Equivalents - Ending	<u><u>\$ -</u></u>

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

MADERA UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Scholarship Trusts</u>	<u>Agency Funds</u>
ASSETS		
Deposits and investments	\$ 105,497	\$ 298,046
Total Assets	<u>105,497</u>	<u>\$ 298,046</u>
LIABILITIES		
Due to student groups		
Dixieland	-	\$ 9,847
Jefferson	-	3,551
King	-	28,433
La Vina	-	764
Washington	-	2,562
Madera High	-	120,552
Ripperdan High	-	11,155
Desmond Middle	-	1,516
Madera South High	-	119,666
Total Liabilities	<u>-</u>	<u>\$ 298,046</u>
NET ASSETS - RESERVED		
Lorraine Thompson Scholarship	47,123	
Student Government Scholarship	4,257	
Albonico Scholarship	9,285	
E. L. L. Scholarship	930	
Ray Pool Scholarship	444	
J. Desmond Scholarship	120	
Michael A. Wong Class 85' Scholarship	1,000	
Dave Schoettler Memorial Scholarship	1,740	
Esperanza Scholarship	255	
K. Roberts Memorial Scholarship	120	
J. Hinton Scholarship	550	
Science and Health Scholarship	43	
FCCLA Scholarship	296	
Binger Scholarship	2,293	
Cardenazzi Roberts Scholarship	593	
Rodger Scott Memorial Scholarship	600	
School of Business Scholarship	500	
Madera Lions Club	31,583	
Audrey Pool Scholarship	1,000	
F.F.A Memorial Fund Scholarship	1,765	
M Wong Class of 85' Scholarship (MSHS)	1,000	
Total Net Assets	<u>\$ 105,497</u>	

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

MADERA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Scholarship Trusts</u>
ADDITIONS	
Private donations and earnings	
Lorraine Thompson Scholarship	\$ 611
Albonico Scholarship	25
Michael A Wong Class 85' Scholarship	1,000
Dave Schoettler Mem Scholarship	1,025
J. Hinton Scholarship	500
Science & Health Scholarship	1
Binger Scholarship	28
Cardenazzi Roberts Scholarship	8
Mike Young Scholarship	165
Joan Davis Scholarship	293
Madera Lions Club	410
Audrey Pool Scholarship	2,000
F.F.A Memorial Fund Scholarship	1,765
M Wong Class of 85' Scholarship (MSHS)	1,000
Total Additions	<u>8,831</u>
DEDUCTIONS	
Scholarships awarded and other expenditures	
Lorraine Thompson Scholarship	4,000
Student Government Scholarship	1,035
Albonico Scholarship	150
E.L.L. Scholarship	800
Gomez-Vidal Scholarship	3,500
Michael A. Wong Class 85' Scholarship	1,500
Dave Schoettler Mem Scholarship	2,000
Esperanza Scholarship	250
J. Hinton Scholarship	500
Science & Health Scholarship	250
Cardenazzi Roberts Scholarship	3,000
Mike Young Scholarship	500
Joan Davis Scholarship	500
Madera Lions Club	1,000
Audrey Pool Scholarship	1,000
Total Deductions	<u>19,985</u>
Change in Net Assets	(11,154)
Net Assets - Beginning	116,651
Net Assets - Ending	<u>\$ 105,497</u>

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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Madera Unified School District was established in 1966, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K - 12 and adults, as mandated by the State and/or Federal agencies. The District operates sixteen elementary schools, three middle schools, two comprehensive high schools, three alternative education schools, and one adult education school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Madera Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Madera Unified School District Financing Corporation (the "Corporations") financial activity is presented in the financial statements as the COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

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:

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, it functions effectively as an extension of the General Fund, and accordingly has been consolidated with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$1,708,832.

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.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), 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.).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund 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 used to account for and report financial resources that are restricted, committed, or assigned to expenditures for 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).

COP Debt Service Fund The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District on a cost-reimbursement basis. The District's Self Insurance Fund is accounted for in an internal service fund. The Fund is inactive and has been closed out to the General Fund in the current year.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: scholarship trust funds and agency funds.

MADERA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2011

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

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, 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 or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net 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 and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

MADERA UNIFIED SCHOOL DISTRICT

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Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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 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 requirements. 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 combined 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 60 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2011, 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 county pools are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General 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. The valuation basis for general capital assets are 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 of capital assets is computed and recorded by 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Interfund Balances

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

Deferred Issuance Costs and Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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 funds.

Current Loans

Current loans consist of amounts outstanding at June 30, 2011, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

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

MADERA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2011

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy states that the District intends to maintain a minimum fund balance of three percent of the District's General Fund in the third year of the District's current multi-year plan.

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 \$23,134,878 of restricted net assets.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on 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 1 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 Madera bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 51,390,594
Fiduciary funds	403,543
Total Deposits and Investments	<u>\$ 51,794,137</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 335,506
Cash in revolving	32,319
Investments	51,426,312
Total Deposits and Investments	<u>\$ 51,794,137</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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	\$ 51,426,312	\$ -	\$ 51,426,312	\$ -	\$ -

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 51,426,312	N/A	\$ -	\$ -	\$ 51,426,312

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There were no investments in any one issuer that represent five percent or more of the total investments.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, \$105,203 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Federal Government			
Categorical aid	\$ 1,188,753	\$ 1,274,286	\$ 2,463,039
State Government			
Apportionment	24,559,280	18,400	24,577,680
Categorical aid	1,311,953	223,001	1,534,954
Lottery	1,322,112	-	1,322,112
Interest	36,564	-	36,564
Other State	2,187,826	-	2,187,826
Local Sources	1,496,975	350,734	1,847,709
Total Fund Statements	<u>\$ 32,103,463</u>	<u>\$ 1,866,421</u>	<u>\$ 33,969,884</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 13,763,332	\$ -	\$ -	\$ 13,763,332
Construction in progress	2,320,142	1,633,382	279,154	3,674,370
Total Capital Assets Not Being Depreciated	<u>16,083,474</u>	<u>1,633,382</u>	<u>279,154</u>	<u>17,437,702</u>
Capital Assets being depreciated				
Land improvements	10,502,709	558,580	-	11,061,289
Buildings and improvements	216,030,306	251,408	-	216,281,714
Furniture and equipment	16,741,463	1,890,593	907,863	17,724,193
Total Capital Assets Being Depreciated	<u>243,274,478</u>	<u>2,700,581</u>	<u>907,863</u>	<u>245,067,196</u>
Less Accumulated Depreciation				
Land improvements	1,441,020	473,932	-	1,914,952
Buildings and improvements	44,194,813	4,023,695	-	48,218,508
Furniture and equipment	11,513,553	1,390,125	907,863	11,995,815
Total Accumulated Depreciation	<u>57,149,386</u>	<u>5,887,752</u>	<u>907,863</u>	<u>62,129,275</u>
Governmental Activities Capital Assets, Net	<u>\$ 202,208,566</u>	<u>\$ (1,553,789)</u>	<u>\$ 279,154</u>	<u>\$ 200,375,623</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,754,293
School Administration	155,133
Pupil Transportation	748,768
Food Services	18,590
Data Processing Services	153,684
Plant Maintenance and Operations	57,284
Total Depreciation Expenses Governmental Activities	<u>\$ 5,887,752</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 at June 30, 2011, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 158,742	\$ 677
Building	-	13,416
Total Major Governmental Funds	<u>158,742</u>	<u>14,093</u>
Total Non-Major Funds	<u>561,317</u>	<u>705,966</u>
Total All Governmental Funds	<u><u>\$ 720,059</u></u>	<u><u>\$ 720,059</u></u>

The Adult Education Fund owes the General Fund for indirect cost and administration cost.	\$ 863
The General Fund owes the Adult Education Fund for a temporary loan adjustment.	287
The General Fund owes the Child Development Fund for a temporary loan adjustment.	390
The Child Development Fund owes the General Fund for a temporary cash flow loan.	100,002
The Cafeteria Fund owes the General Fund for indirect costs.	39,240
The Cafeteria Fund owes the General Fund for auto services cost.	7,452
The Building Fund owes the County Schools Facilities Fund for current liabilities.	13,416
The Capital Facilities Fund owes the General Fund three percent of developer fees for administrative costs.	11,185
The Capital Facilities Fund owes the Debt Service Fund for the debt service payment.	<u>547,224</u>
Total	<u><u>\$ 720,059</u></u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

The Building Fund transferred to the County School Facilities Fund for qualified GO Bond school construction costs.	\$ 1,690,279
The General Fund transferred to the Adult Education Fund for Tier III adjustments.	600,000
The Capital Facilities Fund transferred to the General Fund three percent of the developer fees collected for administrative services.	11,185
The Capital Facilities Fund transferred to the COP Debt Service Fund for the required debt service payment.	1,265,419
The Self Insurance Fund transferred remaining unrestricted funds to the General Fund for voting rights lawsuit and other board-approved expenditures.	389,869
Total	<u><u>\$ 3,956,752</u></u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,008,778	\$ 146,879	\$ 2,155,657
Deferred payroll	4,576,294	-	4,576,294
Health and welfare pass-through	4,039,511	3,658	4,043,169
Accrued salaries and benefits	558,358	64,863	623,221
Total	<u><u>\$ 11,182,941</u></u>	<u><u>\$ 215,400</u></u>	<u><u>\$ 11,398,341</u></u>

MADERA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 859,985	\$ -	\$ 859,985
State categorical aid	77,749	1,046	78,795
Total	<u>\$ 937,734</u>	<u>\$ 1,046</u>	<u>\$ 938,780</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$4,680,000, which matured on December 30, 2010. On July 1, 2010, the District issued \$5,055,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2011. By May 31, 2011, the District had set aside 100 percent of principal and interest within the County Treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. On April 14, 2011, the District issued \$3,240,000 Tax and Revenue Anticipation Notes bearing interest at 2.5 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on January 31, 2012. By September 30, 2011, the District had set aside 100 percent of principal and interest within the County Treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. At June 30, 2011, the District has recorded the cash available to make the principal and interest payments as Cash in the County Treasury Pool with the corresponding liability as a current loan.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding			Outstanding June 30, 2011
			July 1, 2010	Additions	Payments	
April 27, 2010	2.50%	December 30, 2010	\$4,680,000	\$ -	\$4,680,000	\$ -
July 1, 2010	2.00%	June 1, 2011	-	5,055,000	5,055,000	-
April 14, 2011	2.50%	January 31, 2012	-	3,240,000	-	3,240,000
Total			<u>\$4,680,000</u>	<u>\$8,295,000</u>	<u>\$9,735,000</u>	<u>\$ 3,240,000</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds-2003	\$ 13,370,000	\$ -	\$ 115,000	\$ 13,255,000	\$ 155,000
General obligation bonds-2005					
Current Interest Bonds	10,190,000	-	870,000	9,320,000	965,000
Capital Appreciation Bonds	17,319,129	885,635	-	18,204,764	-
General obligation bonds-2006					
Current Interest Bonds	1,690,000	-	125,000	1,565,000	140,000
Capital Appreciation Bonds	2,321,030	113,435	-	2,434,465	-
General obligation bonds-2007					
Current Interest Bonds	17,830,000	-	535,000	17,295,000	615,000
Capital Appreciation Bonds	10,792,719	487,714	-	11,280,433	-
Premium	1,141,027	-	51,865	1,089,162	51,865
Certificates of participation-2004	17,500,000	-	405,000	17,095,000	420,000
State Preschool Revolving Loan	294,774	-	53,682	241,092	53,682
Compensated absences - net	1,135,312	-	116,582	1,018,730	-
Early retirement programs	3,657,246	1,517,983	1,475,716	3,699,513	1,319,313
Capital leases	2,432,354	-	291,177	2,141,177	306,324
Other postemployment benefits	2,358,343	3,074,585	2,630,967	2,801,961	-
Total	<u>\$ 102,031,934</u>	<u>\$ 6,079,352</u>	<u>\$ 6,669,989</u>	<u>\$ 101,441,297</u>	<u>\$ 4,026,184</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments on the State School Revolving Loan are made by Child Development Fund. The COP Debt Service Fund makes payments for the Certificates of Participation. The compensated absences, early retirement programs, and other postemployment benefits obligations will be paid by the fund for which the employee worked. Payments on the capital leases are made by the General Fund.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Bonded Debt

The outstanding general obligation bonded debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2010</u>	<u>Accreted/ Issued</u>	<u>Defeased/ Redeemed</u>	<u>Bonds Outstanding June 30, 2011</u>
Current Interest Bonds:							
2002 - Series 2003 General Obligation Bonds:							
8/1/2003	8/2004-8/2028	1-4.90%	\$ 16,200,000	\$ 13,370,000	\$ -	\$ 115,000	\$ 13,255,000
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2006-8/2017	3-5%	12,670,000	10,190,000	-	870,000	9,320,000
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2018	3.75-4%	1,915,000	1,690,000	-	125,000	1,565,000
2002 - Series 2007 General Obligation Bonds							
3/1/07	8/2007-8/2023	4-5%	18,690,000	17,830,000	-	535,000	17,295,000
Capital Appreciation Bonds:							
2002 - Series 2005 General Obligation Bonds:							
5/1/05	8/2018-8/2029	4.77-5.23%	13,329,104	17,319,129	885,635	-	18,204,764
2002 - Series 2006 General Obligation Bonds							
3/1/06	8/1/2029	4.68-4.68%	1,885,059	2,321,030	113,435	-	2,434,465
2002 - Series 2007 General Obligation Bonds							
3/1/07	8/2024-8/2031	4.41-4.52%	9,308,839	10,792,719	487,714	-	11,280,433
Total				<u>\$73,512,878</u>	<u>\$1,486,784</u>	<u>\$1,645,000</u>	<u>\$73,354,662</u>

Debt Service Requirements to Maturity

2002 - Series 2003 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 155,000	\$ 647,566	\$ 802,566
2013	195,000	640,566	835,566
2014	240,000	631,686	871,686
2015	290,000	620,181	910,181
2016	345,000	606,324	951,324
2017-2021	2,695,000	2,718,953	5,413,953
2022-2026	4,915,000	1,783,700	6,698,700
2027-2029	4,420,000	345,500	4,765,500
Total	<u>\$ 13,255,000</u>	<u>\$ 7,994,476</u>	<u>\$ 21,249,476</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2002 - Series 2005 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 965,000	\$ 434,638	\$ 1,399,638
2013	1,060,000	391,250	1,451,250
2014	1,180,000	335,250	1,515,250
2015	1,310,000	273,000	1,583,000
2016	1,450,000	204,000	1,654,000
2017-2018	3,355,000	171,625	3,526,625
Total	<u>\$ 9,320,000</u>	<u>\$ 1,809,763</u>	<u>\$ 11,129,763</u>

2002 - Series 2006 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 140,000	\$ 61,610	\$ 201,610
2013	150,000	56,010	206,010
2014	170,000	50,010	220,010
2015	185,000	43,210	228,210
2016	200,000	35,810	235,810
2017-2019	720,000	56,830	776,830
Total	<u>\$ 1,565,000</u>	<u>\$ 303,480</u>	<u>\$ 1,868,480</u>

2002 - Series 2007 Current Interest General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 615,000	\$ 815,188	\$ 1,430,188
2013	700,000	790,588	1,490,588
2014	800,000	762,588	1,562,588
2015	895,000	730,588	1,625,588
2016	1,005,000	694,788	1,699,788
2017-2021	7,020,000	2,672,676	9,692,676
2022-2024	6,260,000	646,000	6,906,000
Total	<u>\$ 17,295,000</u>	<u>\$ 7,112,416</u>	<u>\$ 24,407,416</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2002 Capital Appreciation Bonds

The Capital Appreciation Bonds due not require annual principal and interest payments. The bonds accrete in value for the interest earned on the bonds for each fiscal year until the bonds maturity date at which time, the maturity value of the bonds is payable. Below is a summary of the current valuation (accreted value) of the bonds including the maturity value of those bonds.

Fiscal Year	2002 - Series 2005		2002 - Series 2006		2002 - Series 2007	
	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation	Final Maturity	Accreted Obligation
2019	\$ 1,925,000	\$ 1,384,075	\$ 280,000	\$ 197,960	\$ -	\$ -
2020	2,015,000	1,375,439	295,000	199,066	-	-
2021	2,100,000	1,360,800	305,000	196,603	-	-
2022	2,200,000	1,351,680	325,000	199,615	-	-
2023	2,300,000	1,339,060	335,000	196,377	-	-
2024-2028	13,140,000	6,465,303	1,930,000	975,555	10,720,000	5,663,103
2029-2032	12,450,000	4,928,407	1,435,000	469,289	12,830,000	5,617,330
Total	<u>\$ 36,130,000</u>	<u>\$ 18,204,764</u>	<u>\$ 4,905,000</u>	<u>\$ 2,434,465</u>	<u>\$ 23,550,000</u>	<u>\$ 11,280,433</u>

Preschool Revolving Loan

The District has entered into four agreements with the California Department of Education for non-interest loans for child care facilities at the Madison site, the George Washington site, the Ceasar Chavez site, and the Pershing site. The District is required to make annual loan payments ranging from \$9,974 to \$21,000 for each loan.

Year Ending June 30,	Lease Payment
2012	\$ 53,682
2013	33,735
2014	33,735
2015	33,735
2016	33,735
2017-2018	52,470
Total	<u>\$ 241,092</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Certificates of Participation

On May 14, 2004, the Madera Unified School District Financing Corporation issued certificates of participation in the amount of \$18,240,000 with interest rates ranging from 3.50 to 5.35 percent. As of June 30, 2011, the principal balance outstanding was \$17,095,000.

Series	Issue Date	Amount Issued	Interest Rates	Balance Beginning of Year	Principal Paid Defeased-Current Year	Outstanding End of Year
2004	5/14/2004	\$18,240,000	3.50-5.35%	\$ 17,500,000	\$ 405,000	\$ 17,095,000

The Certificates of Participation mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 420,000	\$ 852,319	\$ 1,272,319
2013	440,000	834,469	1,274,469
2014	455,000	815,769	1,270,769
2015	475,000	795,863	1,270,863
2016	500,000	772,113	1,272,113
2017-2021	2,910,000	3,458,815	6,368,815
2022-2026	3,705,000	2,655,565	6,360,565
2027-2031	4,735,000	1,630,576	6,365,576
2032-2034	3,455,000	360,032	3,815,032
Total	\$ 17,095,000	\$ 12,175,521	\$ 29,270,521

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$1,018,730.

Early Retirement

The District has entered into contracts with certain eligible employees whereby a predetermined percentage of the employees final years salary will be paid for a 60-month period for Certificated employees and a 36-month period for Classified employees and continued medical insurance coverage equivalent to the medical plan in effect for all Certificated and Classified employees until age 65. The outstanding contract amount for this purpose is \$3,699,513 and is reported as long-term obligations. The amount paid during the current fiscal year related to the early retirement programs totaled \$1,475,716.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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:

	<u>Leases</u>
Balance, July 1, 2010	\$ 2,432,354
Payments	291,177
Balance, June 30, 2011	<u>\$ 2,141,177</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2012	\$ 409,737
2013	409,737
2014	409,737
2015	409,737
2016	409,737
2017-2018	457,551
Total	<u>2,506,236</u>
Less: Amount Representing Interest	365,059
Present Value of Minimum Lease Payments	<u>\$ 2,141,177</u>

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$2,956,668, and contributions made by the District during the year were \$2,477,529. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$117,917 and \$(153,438), respectively, which resulted in an increase to the net OPEB obligation of \$443,618. As of June 30, 2011, the net OPEB obligation was \$2,801,961. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 28,000	\$ -	\$ 3,140	\$ 31,140
Stores inventories	494,233	-	139,905	634,138
Prepaid expenditures	16,488	-	-	16,488
Total Nonspendable	<u>538,721</u>	<u>-</u>	<u>143,045</u>	<u>681,766</u>
Restricted				
Legally restricted programs	3,329,863	-	45,834	3,375,697
Capital projects	-	13,602,155	8,526,289	22,128,444
Debt services	-	-	3,713,862	3,713,862
Food service	-	-	4,705,981	4,705,981
Total Restricted	<u>3,329,863</u>	<u>13,602,155</u>	<u>16,991,966</u>	<u>33,923,984</u>
Committed				
Adult education program	-	-	877,169	877,169
Deferred maintenance program	-	-	397,149	397,149
Total Committed	<u>-</u>	<u>-</u>	<u>1,274,318</u>	<u>1,274,318</u>
Assigned				
Vacation accrual	1,018,730	-	-	1,018,730
District textbooks	745,616	-	-	745,616
Legal and mandated cost contracts	389,220	-	-	389,220
Classified health clerks	229,897	-	-	229,897
Professional development	212,504	-	-	212,504
Demographic and transportation contracts	212,361	-	-	212,361
Time clock plus	186,015	-	-	186,015
CELDT testing	176,327	-	-	176,327
Summer school costs	130,917	-	-	130,917
Edusoft system bundle	129,500	-	-	129,500
Star program	106,796	-	-	106,796
Safety program	102,286	-	-	102,286
Capital projects	-	-	1,395,686	1,395,686
Other	529,579	-	-	529,579
Total Assigned	<u>4,169,748</u>	<u>-</u>	<u>1,395,686</u>	<u>5,565,434</u>
Unassigned				
Total Unassigned	<u>28,988,481</u>	<u>-</u>	<u>-</u>	<u>28,988,481</u>
Total	<u>\$37,026,813</u>	<u>\$13,602,155</u>	<u>\$19,805,015</u>	<u>\$70,433,983</u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, there were no District major funds that exceeded the budgeted amounts.

NOTE 12 - 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 Madera Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 145 retirees and beneficiaries currently receiving benefits and 1,615 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 Madera Unified Teachers Association (MUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2010-11, the District contributed \$2,477,529 to the plan, all of which was used for current premiums (approximately 87 percent of total premiums). Plan members receiving benefits contributed \$370,895, or approximately 13 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	\$ 2,956,668
Interest on net OPEB obligation	117,917
Adjustment to annual required contribution	(153,438)
Annual OPEB cost (expense)	<u>2,921,147</u>
Contributions made	<u>(2,477,529)</u>
Increase in net OPEB obligation	443,618
Net OPEB obligation, beginning of year	2,358,343
Net OPEB obligation, end of year	<u><u>\$ 2,801,961</u></u>

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Trend Information

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 2,921,147	\$ 2,477,529	84.81%	\$ 2,801,961
2010	\$ 2,956,668	\$ 1,679,633 ¹	56.81%	\$ 2,358,343
2009	\$ 2,775,723	\$ 1,694,415 ¹	61.04%	\$ 1,081,308

¹ Amount did not include factor of 1.1272 to adjust for the implicit rate subsidy.

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 trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.0 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 7.0 percent to an ultimate rate of 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2011, was 28 years. The actuarial value of assets was not determined in this actuarial valuation.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending 2011, the District contracted with the California Risk Management Authority (CRMA) 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.

Workers' Compensation

The District pays for workers' compensation through the California Risk Management Authority.

Employee Medical Benefits

The District has contracted with California's Valued Trust to provide employee health, dental and vision benefits. Benefits are self funded and are paid out of the assets of the Trust. Each participating school district's contribution to the Trust is determined by the collective bargaining agreement between the individual district and CTA or California School Employees Association and/or by the participating agreement between the district and the Trust with respect to employees not covered by a collective bargaining agreement. 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.

NOTE 14 - 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 2010-11 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, 2011, 2010, and 2009, were \$5,262,148, \$5,509,271, and \$5,782,110, 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 2010-11 was 10.707 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, 2011, 2010, and 2009, were \$2,018,415, \$1,911,376, and \$1,932,664, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 \$2,721,644 (4.267 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 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Future High School	\$ 195,000,000	2021
LaVina Playground Paving Project	120,000	2012
Total	<u>\$ 195,120,000</u>	

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the California Risk Management Authority (CRMA) and the California's Valued Trust (CVT) public entity risk pools. The District pays an annual premium to these entities for its property and liability, workers' compensation and health coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one member to the governing board of CRMA and CVT.

During the year ended June 30, 2011, the District made payment of \$1,822,643 to CRMA for property and liability, and workers' compensation coverage.

During the year ended June 30, 2011, the District made payment of \$25,854,895 to CVT for health and welfare benefits.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$4,965,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on March 1, 2012, and yield 2.0 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that principal and interest be deposited with the Fiscal Agent by February 29, 2012.

NOTE 18 - 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 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 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.

MADERA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 19 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011, to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for Fund 17, Special Reserve Non-Capital Fund, as presented in the Non-Major Governmental Fund opinion unit, is reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

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. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

General Fund

Fund Balance - Beginning	\$ 28,470,055
Change in accounting principles to conform to GASB Statement No. 54	<u>1,564,024</u>
Fund Balance - Beginning as Restated	<u><u>\$ 30,034,079</u></u>

Non-Major Governmental Funds

Fund Balance - Beginning	\$ 21,083,849
Change in accounting principles to conform to GASB Statement No. 54	<u>(1,564,024)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 19,519,825</u></u>

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description under the heading "Procedures and Record Keeping" below with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, and interest on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined below), confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

Procedures and Record Keeping

The Depository Trust Company ("DTC"), New York, New York, 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 will be issued for each annual 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 been rated by Standard & Poor's as AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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 prepayments, 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 a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, 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 Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

Discontinuance of DTC Services

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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical 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, Bonds will be printed and delivered to DTC.

THE PAYING AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO

DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is executed and delivered by the Madera Unified School District (the “Issuer”), in connection with the issuance and delivery of its \$_____ General Obligation Refunding Bonds, Series 2012 (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer adopted on February 14, 2012 (the “Resolution”). The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement 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 Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Superintendent of the Issuer, Associate Superintendent of Business and Operations of the Issuer or either of their designees, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has been filed with the Dissemination Agent a written acceptance of such designation.

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

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Electronic Municipal Market Access System of 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.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than March 1 after the end of the Issuer’s fiscal year, commencing with the report for the fiscal year ending June 30, 2012, provide to the Participating Underwriter and the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer

may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the Repository and the Paying Agent and the Dissemination Agent of a change in the fiscal year dates. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent (if the Issuer is not the Dissemination Agent) shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

- The District's approved annual budget for the then-current fiscal year;
- Assessed value of taxable property in the District as shown on the most recent equalized assessment role;

- If the county no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year; and
- Top ten property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value, if material.

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.
2. modifications to rights of bondholders.
3. optional, contingent or unscheduled note calls.
4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer under this Disclosure Agreement 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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Issuer. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment. (a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Agreement may be amended, by written agreement of the parties, upon obtaining consent of Owners at least 25% of the outstanding Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that neither the Paying Agent or the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Issuer 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 Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Agreement, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Agreement. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Agreement, any 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 Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent (if other than the Issuer) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond holders, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____

MADERA UNIFIED SCHOOL DISTRICT

By: _____
Associate Superintendent of Business
and Operations

EXHIBIT A
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Madera Unified School District

Name of Bond Issue: \$_____ Madera Unified School District General Obligation Refunding Bonds, Series 2012

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that the Madera Unified School District (the "School District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement dated _____, 2012. The School District anticipates that the Annual Report will be filed by _____.

Dated: _____, 2012

MADERA UNIFIED SCHOOL DISTRICT
Dissemination Agent

By: _____
Authorized Signatory

cc: Issuer

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APPENDIX E

ECONOMY OF THE DISTRICT

The District encompasses territory in the City and adjacent unincorporated areas of the County. The District has included information on the City because the economic growth in the City is reflective of economic growth in the District. The following economic data for the City and the County are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County.

Population

The County's population in 2011 was 150,749 persons. The County's 2011 population was 22% above the 2000 population, representing an average annual compound growth rate of 1.9%.

Madera is the largest city in the County, with a population of 61,244 in 2011. Madera's population increased by 41.7% since 2000, and in 2011 accounted for 40.6% of the total population of the County.

The following table shows the population of the County and the City from 2000 to 2011.

POPULATION CITY OF MADERA AND COUNTY OF MADERA 2000 to 2011

Year	City of Madera		County of Madera	
	Population	Annual % Change	Population	Annual % Change
2000	43,205	--	123,109	--
2001	44,565	3.1%	125,359	1.8%
2002	46,066	3.4%	127,469	1.7%
2003	47,939	4.1%	130,641	2.5%
2004	49,691	3.7%	134,645	3.1%
2005	51,735	4.1%	138,174	2.6%
2006	53,928	4.2%	141,693	2.5%
2007	57,181	6.0%	145,163	2.4%
2008	58,767	2.8%	147,958	1.9%
2009	59,868	1.9%	149,632	1.1%
2010	61,416	2.6%	150,865	0.8%
2011	61,224	-0.3%	150,749	-0.1%

Source: For 2001-2009 and 2011: California State Department of Finance, Demographic Research Unit, as of January 1. For 2000 and 2010: U.S. Department of Commerce, Bureau of the Census, as of April 1.

Employment

The following table summarizes wage and salary employment in the County from 2006 to 2010. Farm and government are the largest employment sectors in the County.

**ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
County of Madera
2006-2010**

Industry	Employment (1)				
	2006	2007	2008	2009	2010
Total Farm	11,200	10,800	9,900	10,100	9,600
Mining and Logging	2,700	2,200	1,700	1,300	1,100
Manufacturing	3,300	3,600	3,300	2,800	2,800
Trade, Transportation & Utilities	5,500	5,500	5,300	4,900	5,000
Information	500	500	400	500	400
Financial Activities	800	800	800	700	700
Professional & Business Services	2,700	2,900	2,600	2,400	2,800
Educational & Health Services	5,600	5,900	6,000	5,900	5,900
Leisure & Hospitality	2,600	2,600	2,600	2,300	2,600
Other Services	800	800	900	900	800
Government	<u>10,400</u>	<u>11,000</u>	<u>10,900</u>	<u>10,800</u>	<u>10,600</u>
Total	46,100	46,600	44,400	42,600	42,300

(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.
Source: California Employment Development Department.

The following table summarizes civilian labor force, employment, and unemployment in the County from 2000 to 2010. The unemployment rate in the County in 2010 was 15.5%. In contrast, the average unemployment rate in California in 2010 was 12.5%. The higher rate in the County reflects the effect of agricultural employment and the seasonal pattern of crop harvesting and food processing.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Madera
Annual Averages, 2000-2010

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employed Labor Force (1)</u>	<u>Unemployed Labor Force (2)</u>	<u>Unemployment Rate (3)</u>
2000	54,900	50,100	4,800	8.7%
2001	54,000	48,800	5,200	9.6%
2002	55,900	49,900	5,900	10.6%
2003	59,400	53,300	6,200	10.4%
2004	61,400	55,700	5,600	9.1%
2005	62,000	57,100	4,900	7.9%
2006	62,900	58,500	4,400	7.0%
2007	63,500	58,700	4,700	7.4%
2008	65,100	59,000	6,100	9.4%
2009	66,500	57,400	9,100	13.7%
2010	67,000	56,500	10,400	15.5%

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

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

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

Source: *California Employment Development Department.*

Major Employers

The largest employers in the County as of 2010 are as follows:

LARGEST EMPLOYERS County of Madera

Firm	Product/Service	Employment
Children's Hospital Central CA	Medical Services	2,700
State of California	State Government Services	2,400
Madera Unified School District	Education	1,700
Chukchansi Gold Resort & Casino	Entertainment	1,400
County of Madera	County Government Services	1,500
Madera Community Hospital	Medical Services	950
U.S. Government	Federal Government Services	500
Constellation Wines	Wine & Brandy	430
City of Madera	City Government Services	400
Saint-Gobain Containers	Glass Bottles	370
Baltimore Aircoil Company	Cooling Systems	220
Span Construction & Engineering	Construction	200
Certainteed Corporation	Fiberglass Insulation	197
Sierra Tel Communications Group	Communications	190
Evapco West	Evaporative Cooling & Industrial Refrigeration	150
Brake Parts Inc.	Motor Vehicle Brake System	150
JBT FoodTech (<i>Formerly FMC Foodtech</i>)	Food Processing Machinery	150
Warnock Food Products	Tortilla Chips, Taco Shells	130
Georgia-Pacific Corp.	Fruit Packers	125
Florestone Products Company, Inc.	Shower Stalls	100
Old Castle Precast, Inc.	Concrete Vaults	100
Azteca Milling	Corn Milling	100

Source: Economic Development Commission of Madera County for 2010.

Construction Activity

The level of construction activity in the City and the County as measured by total building permit valuations and new residential dwelling units is shown in the following tables.

BUILDING PERMITS AND VALUATIONS City of Madera 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Valuation (\$000):					
Residential	\$102,069	\$33,712	\$13,805	\$2,853	\$8,032
Non-residential	18,776	18,349	40,260	11,316	4,264
Total	\$120,845	\$52,061	\$54,065	\$14,168	\$12,296
Residential Units:					
Single family	725	218	84	15	53
Single family	26	23	3	--	6
Total	751	241	87	15	59

Source: Construction Industry Research Board

BUILDING PERMITS AND VALUATIONS Madera County 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Valuation (\$000):					
Residential	\$242,409	\$105,516	\$53,638	\$23,585	\$30,952
Non-residential	75,401	59,487	69,867	27,331	34,925
Total	\$318,810	\$165,003	\$123,506	\$50,916	\$65,876
Residential Units:					
Single family	1,282	510	233	68	112
Multiple family	109	23	7	52	80
Total	1,391	533	240	120	192

Source: Construction Industry Research Board

Income

Total personal income in the County increased by 78% between 1999 and 2009, representing an average annual compound growth rate of 5.95%. Per capita personal income in the County grew by 46% during this time, representing an average annual compound growth of 3.9%.

The following tables summarize personal income for the County for 1999 to 2009.

PERSONAL INCOME 1999-2009 (in thousands)

Year	Madera County	Annual Percent Change
1999	\$2,234,403	--
2000	2,346,085	5.0%
2001	2,520,452	7.4%
2002	2,722,959	8.0%
2003	2,892,226	6.2%
2004	3,236,642	11.9%
2005	3,333,146	3.0%
2006	3,565,294	7.0%
2007	3,863,749	8.4%
2008	3,966,916	2.7%
2009	3,981,841	0.4%

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

PER CAPITA PERSONAL INCOME 1999-2009

Year	Madera County	California	United States
1999	\$18,332	\$30,679	\$28,333
2000	18,986	33,398	30,318
2001	20,096	33,890	31,145
2002	21,300	34,045	31,461
2003	21,908	34,977	32,271
2004	23,709	36,903	33,881
2005	23,864	38,767	35,424
2006	24,956	41,567	37,698
2007	26,606	43,240	39,461
2008	26,880	43,853	40,674
2009	26,790	42,395	39,635

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

Retail Sales

Taxable sales in the City and the County are shown below. Between 2005 and 2009, taxable sales decreased by 14% in the City and by 16% in the County. The largest taxable sales sectors in the County are service stations, other retail stores, and auto dealers and auto supplies.

TAXABLE SALES, 2005-2009 City of Madera (in thousands)

<u>Year</u>	<u>Number of Outlets (July 1)</u>	<u>Total Taxable Sales (\$000)</u>
2005	904	\$519,954
2006	910	572,007
2007	929	547,335
2008	970	523,759
2009	952	446,465

Source: California Board of Equalization.

TAXABLE SALES, 2005-2009 County of Madera (in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Apparel Stores	\$9,571	\$10,299	\$11,950	\$11,731	\$13,762
General Merchandise	114,304	119,389	115,808	108,367	(1)
Food Stores	104,863	109,588	113,640	107,328	98,868
Eating & Drinking Places	80,542	85,511	88,538	90,224	87,950
Home Furnishings & Appliances	14,159	15,398	13,926	12,223	17,878
Building Material & Farm Implements	159,278	158,618	83,183	65,112	83,874
Auto Dealers and Auto Supplies	175,170	170,471	189,240	141,369	116,655
Service Stations	137,811	178,348	197,252	234,832	176,337
Other Retail Stores	<u>119,988</u>	<u>134,577</u>	<u>159,298</u>	<u>131,380</u>	<u>138,994</u>
Total Retail Stores	915,686	982,199	972,835	902,566	734,318
All Other Outlets	395,596	450,445	464,664	423,998	366,983
Total All Outlets	\$1,311,282	\$1,432,644	\$1,437,499	\$1,326,564	\$1,101,301

(1) For 2009, "General Merchandise" sales are included in "Other Retail Group."

Source: California Board of Equalization.

Transportation

Madera County is located in California's San Joaquin Valley. The County is served by State Highway 99, one of the State's major north-south transportation routes. State Highways 152, 145, and 41 provide convenient access to U.S. Interstate 5, located 53 miles west of the City via State Route 152.

Rail services are provided by Burlington Northern – Santa Fe Railroad and the Union Pacific Railroad.

Scheduled air service to destinations in major cities in western states and in Mexico is available at the Fresno Yosemite International Airport located within 30 minutes of the City. General aviation facilities are located at the Madera Airport and the Chowchilla Airport.

**APPENDIX F
COUNTY OF MADERA
OFFICE OF THE TREASURER TAX-COLLECTOR
STATEMENT OF INVESTMENT POLICY**

POLICY STATEMENT

- The Treasurer/Tax Collector is responsible for investing the surplus funds in the County Treasury in accordance with the California Government Code, Sections 53601 et. seq. and the Prudent Investor Standard. The surplus funds will be invested in such a manner following the fundamental principles of safety, liquidity and yield — in that order.

1. SAFETY/LEGALITY

Investments should be made in instruments of high quality to avoid credit risk and/or loss of principal. Investments susceptible to wide price fluctuations due to market volatility should be avoided. Investments shall only be made in instruments legally permissible by the California Government Code, as hereafter amended for Madera County's needs.

2. LIQUIDITY

Investments should be made in instruments maturing in such a manner to meet daily demands upon the Treasury. A certain degree of highly liquid instruments should be maintained at all times to accommodate unforeseen withdrawals or respond to opportunities for transactions arising from changing market conditions.

3. YIELD

Because the County Treasurer is responsible for receiving and safekeeping ALL monies belonging to the county and all other monies directed by law to be paid into the treasury, investments are made for cash flow purposes first and yield is secondary. Operating within such parameters of safety and liquidity, the most favorable yield would then be considered.

4. TREASURY OVERSIGHT COMMITTEE

The County Treasurer shall consult with and nominate to the Board of Supervisors certain potential committee members. The number of members on the committee shall be determined mutually by the Board and the County Treasurer. For Madera County on May 6, 1997 the Board of Supervisors designated the Auditor-Controller, the County Office of Education and the County Treasurer.

5. AUDITING

Investment confirmations are received by an employee other than the individual performing the investment duties. The confirmations will be compared with information already recorded for that transaction. Any discrepancy will be reported to the County Treasurer for correction.

Quarterly, the County Auditor performs a cash count of the County Treasury. Outside auditors annually audit the County including the office of the County Treasurer. Annually, the county treasury oversight committee shall cause an annual audit to be conducted to determine compliance with this article and the investment policy (27134-27135). The costs of the audit may be included with those costs enumerated under Section 27013 of the Government Code.

6. REPORTING

The County Treasurer shall provide a monthly, but not less than a quarterly, report of investments to all participating agencies including the Treasury Oversight Committee, the County Board of Supervisors, and County Superintendent of Schools, Madera Unified School District, and Special Districts. The monthly report will include a list of holdings as of the last day of the month and note:

1. the type of investment,
2. the institution,
3. date of maturity,
4. par amount,
5. book value,
6. end of month market value and source of value
7. a statement of compliance or an explanation of any variance, and
8. a statement of the ability to meet the pools expenditure requirement for the next six months or an explanation of why the expenditure requirement cannot be met.

The County Treasurer shall annually prepare an investment policy that will be reviewed and monitored by the legislative body of the local agency and the treasury oversight committee (27133).

7. SECURITY DEALERS & BROKERS

The County Treasurer shall determine which financial institutions are authorized to provide investment services to the County for the investment of County funds.

The Treasurer may trade or place securities with Broker/Dealers or Broker/Dealer firms who meet the following criteria:

- A. A Primary government dealer as designated by the Federal Reserve Bank of New York;
- B. The Federal Reserve Bank;
- C. A Nationally or state-chartered bank;
- D. Banks identified as one of the top 100 banks in the world, or
 1. Banks, brokers or dealers whose transactions are guaranteed by one of the top 100 banks in the world, or
 2. Banks, brokers or dealers whose parent company is one of the top 100 banks in the world.
- E. Individual Broker/Dealer or Broker/Dealer firms provided they are:
 1. Registered and in good standing with the National Association of Securities Dealers (NASD);
 2. Licensed to conduct business in the State of California;
 3. Have net capital in excess of \$10 million with liquidity lines of \$50 million or more; and
 4. Have primary account representatives with five or more years experience in Madera County Pool Investment transactions.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the County shall be accomplished at the sole discretion of the County Treasurer.

All potential broker/dealers will fill out a County questionnaire about their experience and capital of their respective companies. These questionnaires will be kept on file in the County Treasurer's office.

Broker/dealers or securities firms that make a political contribution to the County Treasurer exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board within four years following January 1, 1996, may not be selected to do business.

8. POOL PARTICIPANTS-INVOLUNTARY

The majority of funds on deposit in the County Treasury are funds under the control of the Board of Supervisors. State law requires school districts to deposit their funds in the county treasury unless the school board declares funds to be excess funds, in which case funds can be invested outside the county treasury. Special districts and cemetery districts are also required to deposit their funds in the county treasury.

9. POOL PARTICIPANTS-VOLUNTARY

A voluntary participant is any local agency who has applied for and been granted participation in the county investment pool. The local agency's treasurer or other official responsible for their funds has determined that they have excess funds which are not required for immediate use. Once the excess funds are identified, the local agency's legislative or governing body must adopt a resolution that authorizes the investment of the funds pursuant to Section 53684, and with the consent of the County Treasurer, deposit the excess funds in the county treasury for the purpose of investment by the County Treasurer pursuant to Section 53601 or 53635. The resolution shall specify that the local agency acknowledges and is willing to be bound by the withdrawal provisions of Section 27136, and that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing.

10. WITHDRAWAL OF FUNDS FROM COUNTY POOL

Pursuant to Government Code Section 27136 any entity wishing to withdraw funds from the county treasury pool for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the pool. For any withdrawal over \$2 million, it will be necessary to have 1 days notice in writing and withdrawals over \$5 million will require a one week notice in writing.

11. AUTHORIZED INVESTMENTS AND LIMITS

The County may invest surplus funds from among the following authorized investments and within limits as specified. The percent of limitation for a particular category of investment shall only apply at the date of purchase. Additionally, a percent change that results from an increase of decrease of values or assets shall not constitute a limitation violation. Some instruments have no limit and no limit is specified, however the Rule of Prudence should apply.

- A. Bonds issued by the local agency, including bonds payable solely out of the revenue from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- B. United States Treasury Bills, Notes, Bonds, and Certificates of Indebtedness, and those for which the full faith and credit of the United States is pledged for the payment of principal and interest. There is no percentage limit on the total dollar amount that may be invested in these issues.

- C. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state up to 1 million dollars.
- D. Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
- E. Obligations issued by Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Although there is no percentage limit on the total dollar amount that may be invested in these issues, the Rule of Prudence should apply for a single agency name.
 - 1. Structured rate securities: Generally investments in these types of securities are allowed as long as there is no risk of a zero coupon or loss of principal. Specifically prohibited are inverse floaters, range notes or interest only strips derived from a pool of mortgages.
- F. Bills of Exchange or Time Drafts drawn on and accepted by a commercial bank, otherwise known as Banker's Acceptances, both domestic and foreign, which are eligible for purchase by the Federal Reserve System. Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the surplus funds in the County Treasury. However, no more than 30 percent of the Treasury's surplus funds may be invested in the banker's acceptances of any one commercial bank.
- G. Commercial Paper The County may invest in commercial paper subject to the following concentration limits:
 - 1. No more than 40 percent of the County's money may be invested in eligible commercial paper.
 - 2. No more than 10 percent of the total assets of the investments held by the County may be invested in any one issuer's commercial paper, and
 - 3. Eligible commercial paper shall have a maximum maturity of 270 days or less.
- H. Negotiable Certificates of Deposit issued by a Federal or State Chartered bank or savings and loan association. Any investment in Negotiable Certificates of deposit may not exceed 30 percent of the County's surplus money, which may be invested. No more than 5 percent of the total portfolio shall be invested in any one name.
- I. Non-negotiable Time Certificates of Deposit issued by a federally or State Chartered bank or a savings and loan association. These require full collateralization with government securities (110%) or mortgages (150%) in accordance with Government Code Section 53651. The Treasurer will determine eligibility of banks and savings and loans through the Findley report, which rates California Financial Institutions and ratings of the major rating agencies, Moody's, Standard & Poor and Fitch.

Investments with qualified institutions shall be equally distributed providing yields on investments are comparable. Investments with any one type of institution shall not exceed 50 percent of the portfolio and investments with any one institution shall not exceed 15 percent of the portfolio.

Investments shall be placed only with institutions with established stability and performance. All factors being equal, preference shall be given to institutions within Madera County.

- J. Investments in Repurchase Agreements shall be restricted to nationally or state-chartered banks or primary security dealers with whom the Treasurer has entered into a Master Repurchase Agreement. A Repurchase Agreement is a purchase of securities by the County pursuant to an agreement by which the Bank/Dealer agrees to repurchase the securities on a specified date. Securities purchased through Repurchase Agreements from the Bank/Dealer are United States Treasury Bills, Notes or Certificates of Indebtedness, or instruments of or issued by a federal agency of the United States as authorized by section 11.B above, or money market instruments.

Investments in Reverse Repurchase Agreements or securities lending agreements are authorized so long as the proceeds are invested solely to supplement the income normally received from the securities. A Reverse Repurchase Agreement is a sale of securities by the County pursuant to an agreement by which the county will repurchase such securities on or before a specified date and for a specified amount.

1. Reverse Repurchase Agreements is limited to 20% of the portfolio and only for specified purposes.

- K. Medium Term Corporate Notes (MTN) of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Securities eligible for Investment shall be rated in a rating category of "A" or its equivalent, or better, by a nationally recognized rating agency.

Purchase of MTN may not exceed 30 percent of the surplus funds in the County Treasury.

- L. Shares of Mutual Funds issued by diversified management companies, as defined in Section 23701m of the Revenue and Taxation Code, investing only in the securities and obligations as authorized by Government Code Section 53635. To be eligible for investment, these companies shall either: (1) attain the highest ranking or the higher letter and numerical rating provided by not less than two of the three largest nationally recognized rating services; or 2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations as authorized and with assets under management in excess of five hundred million dollars (\$500,000,000.00). The purchase price of shares of mutual funds shall not include any commission that these companies may charge and shall not exceed 15 percent of the surplus funds in the County Treasury.

- M. Investments of funds in the Local Agency Investment Fund (LAIF- State of California) created by law, which the State Treasurer invests through the Pooled Money Investment Account. Money invested in LAW is available overnight liquidity; however, it is also subject to a limited number of transactions per month. Money shall be placed in LAW as alternative liquid investments under guidelines of this policy pertaining to yield. Investment of funds in the LAW is limited to fifty million dollars (\$50,000,000.00).

- N. Shares of Beneficial Interest issued by joint powers authority (JPA) organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), of section 53601 inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers

authority. To be eligible under this section, the joint powers authority shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. Has not less than five years experience investing in the securities and obligations as authorized, and
3. Have assets under management in excess of five hundred million dollars (\$500,000,000.00).

12. CONFIRMATION

All confirmations should be reviewed for conformity with the original transaction by an individual who did not originate the transaction.

13. APPROVAL OF DEPOSITS

All financial institutions whether investment banks and dealers or commercial banks or savings and loans must be approved by the County Treasurer before receiving county funds. All firms with whom the County does business should have a strong capital base and have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal agency before any investments or deposits are placed with such firms.

14. LOSSES

Generally, losses are acceptable on a sale before maturity and should be taken if reinvested proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the old investment.

14A. MAXIMUM RATE OF RETURN AND ALLOCATION OF LOSSES

The Pooled Investment Fund is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investments, while important, is secondary to the safety and liquidity objectives.

The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity for the following reasons:

1. A declining credit security, to minimize loss of principal, and/or
2. A security swap, to improve the quality, yield, or target duration in the portfolio, and/or
3. The liquidity needs of the portfolio require that the security be sold.

If there is a realized loss of principal on a particular security, the loss will first be allocated against the interest earned on that security in the quarter in which the security is sold.

If the security’s current interest is not sufficient to cover the loss, then the Auditor-Controller may allocate the loss against the total current and future portfolio interest earnings.

In the event of an imminent loss of principal for which the security’s interest would not be sufficient to cover the loss, the Auditor-Controller may withhold from the total current and future portfolio interest earnings to reserve against a future maximum anticipated actual loss.

In the event that an estimated loss does not materialize, or is less than the set aside, the funds reserved from interest earnings to cover the estimated loss would be immediately released and apportioned on the following quarter to the interest earning funds in the pool.

15. SAFEKEEPING

Investment securities are to be held in customer-segregated safekeeping accounts (excluding Non-Negotiable Time Certificates of Deposit). And effective 4/1/97 this is with the Union Bank of California.

16. “WAIVER OF SECURITY” ON DEPOSITS

“Waiver of Security” on deposits covered by FDIC or FSLIC insurance shall be at the discretion of the Treasurer and will require the Treasurer’s signature.

17. CREDIT FOR INTEREST RATES

California Government Code, Section 53684 (b) requires county treasurers to apportion quarterly to the local agencies or districts any interest earned from the investment of funds. Interest earned is in an amount proportionate to the average daily balance of the amounts the local agencies or districts deposit. The County Auditor-Controller shall conduct the apportionment process based on the net earnings of the Pool each quarter.

18. MAXIMUM DAYS TO MATURITY

Investment decisions are made with regard to safety, liquidity, cash flow needs and yield as a matter of policy. The Government Code allows maturities to 5 years. Over 5 years requires Board approval. Generally the maximum average time to maturity of County investments shall not exceed 2 years or 730 days. However, if extending maturities permit trading and portfolio advantages without significantly affecting cash flow needs, maturities may be extended past the prescribed limit.

19. PRUDENT INVESTOR STANDARD

The county treasurer is a trustee and therefore a fiduciary subject to the Prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the county treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall strategy, a trustee is authorized to acquire investments as authorized by law. Nothing in this chapter is intended to grant investment authority to any person or governing body except as provided in Sections 53601, 53607, and 53635.

19 A. INDEMNIFICATION

The Treasurer and her staff, when acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes. Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Investments will not be made for speculation but for investment considering safety of capital as well as probable income to be derived.

20. COSTS OF MANAGING TREASURY COMMINGLED POOL (27013)

Actual costs of investing, depositing, banking, auditing, reporting and managing treasury pool funds are deducted from the gross interest earned account, the balance is then apportioned to the accounts on an average daily balance method. Certain staff are dedicated solely to Treasury functions and appropriately charged to the maintenance of the funds. Banking fees are charged in arrears after the costs for the previous quarter are known. Special functions or services required or requested by a certain entity are paid by that entity.

For directed investments outside of the county co-mingled pool, the charge shall be \$120 per investment.

21. CONFLICT OF INTEREST

No employee may directly or indirectly accept or solicit from any person, corporation or group having a business relationship with the County, any rebate or kickback. No employee of the Treasurer's office shall outside of working hours, engage in any profession, trade, business or occupation, which is incompatible or involves a conflict of interest with his/her duties as a County Officer or employee.

