In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing law and assuming continuing compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not included in the gross income of the Owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest on the Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax on corporations. Interest on the Bonds will be exempt from present State of California personal income taxes. See "LEGAL MATTERS—Tax Exemption" herein.

NEW ISSUE-FULL BOOK-ENTRY

RATINGS: *Moody's: "Aaa" MBIA Insured*
Standard & Poor's: "AAA" MBIA Insured
(See "MISCELLANEOUS-Ratings" herein)
Moody's Underlying Rating: "A1"
Standard & Poor's Underlying Rating: "A"

$65,000,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
ELECTION OF 2001
GENERAL OBLIGATION BONDS, SERIES B

Dated: Date of Delivery **Due:** As Shown Below

This Official Statement describes the $65,000,000 Riverside Unified School District, Election of 2001, General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued by the Rivesrside Unified School District (the "District"). The Bonds are secured by funds pledged under a resolution adopted by the Board of Education of the District. The Bonds were authorized at a special election of the registered voters of the Riverside Unified School District (the "District") held on November 6, 2001, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $175,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The District previously issued its $60,000,000 Election of 2001 General Obligation Bonds, Series A in March, 2002 (the "Series A Bonds"). The Bonds are being issued for the purpose of providing funds for construction of a high school aquatic center, modernization at fourteen schools, wing additions at two middle schools, a high school performing arts studio, restroom repairs and modernizations, a new communication system, partial funding for three new elementary schools and other projects to be selected and to pay the expenses incurred in connection with the issuance of the Bonds. See "THE BONDS—Financing Plan" herein.

The Bonds are general obligation bonds of the District. The Board of Supervisors of the County of Riverside 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 interest on and principal of the Bonds and the Series A Bonds when due. The Bonds and the Series A Bonds are payable on a parity from the ad valorem taxes levied. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF BONDS—Ad Valorem Property Taxation" herein.

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 (collectively referred to herein as "DTC"). Purchasers will not receive certificates representing their interest in the Bonds. See "THE BONDS—Book-Entry-Only System" and Appendix C—"BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued as current interest bonds. 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, 2006 for the Bonds. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Payments of principal and of interest on the Bonds will be paid by U.S. Bank National Association, as the Paying Agent, Registrar and Transfer Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only System" herein.

The Bonds are subject to optional redemption prior to maturity as described herein. See "THE BONDS—Redemption Provisions" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See "BOND INSURANCE" herein and Appendix G—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein.



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 are offered when, as and if issued, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery to DTC in New York, New York on or about April 19, 2006.

Dated: April 5, 2006

MATURITY SCHEDULE

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2006	$275,000	4.000%	3.300%	769059TW6
2007	2,060,000	4.000	3.400	769059TX4
2008	2,230,000	4.000	3.420	769059TY2
2009	2,110,000	5.000	3.500	769059TZ9
2010	1,885,000	5.000	3.550	769059UA2
2011	2,235,000	5.000	3.570	769059UB0
2012	1,195,000	4.000	3.650	769059UC8
2013	1,120,000	4.000	3.800	769059UD6
2014	1,050,000	4.000	3.850	769059UE4
2015	990,000	4.000	3.950	769059UF1
2016	2,760,000	4.000	4.020	769059UG9
2017	2,785,000	4.000	4.120	769059UH7
2018	2,800,000	4.125	4.200	769059UJ3
2019	2,820,000	4.125	4.260	769059UK0
2020	2,830,000	4.250	4.320	769059UL8
2021	2,845,000	4.250	4.400	769059UM6
2022	1,375,000	4.375	4.450	769059UN4
2023	2,135,000	4.375	4.500	769059UP9
2024	1,420,000	4.375	4.510	769059UQ7
2025	1,480,000	4.375	4.530	769059UR5
2026	1,915,000	4.375	4.550	769059US3
2027	2,140,000	4.375	4.570	769059UT1

$22,545,000 5.000% Term Bonds due September 1, 2030 Yield: 4.420% - CUSIP† 769059UU8

† *CUSIP® is a registered trademark of the American Bankers Association. Copyright© 1999-2006 Standard & Poor's, a Division of the McGraw Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.*

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 herein. 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 herein, are intended solely as such and are not to be construed as representations of fact.

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

Other than with respect to information concerning MBIA Insurance Corporation (the "Bond Insurer"), contained under the caption "BOND INSURANCE" and Appendix G–"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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," and "DISTRICT FINANCIAL MATTERS" and Appendix F—"RIVERSIDE COUNTY TREASURER'S INVESTMENT POLICY" herein.

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 CERTIFICATE" herein.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Lewis J. Vanderzyl, President
Gayle Cloud, Vice President
Maxine Frost, Clerk
Kathy Y. Allavie, Board Member
Charles L. Beaty, Ph.D., Board Member

ADMINISTRATION

Susan J. Rainey, Ed.D., Superintendent
Michael H. Fine, Deputy Superintendent, Business Services and Governmental Relations
Gladys Walker, Deputy Superintendent, Instructional Service

PROFESSIONAL SERVICES

BOND COUNSEL

Best Best & Krieger LLP
Riverside, California

DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

PAYING AGENT AND BOND REGISTRAR

U.S. Bank National Association
Los Angeles, California

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$65,000,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
ELECTION OF 2001
GENERAL OBLIGATION BONDS, SERIES B

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Riverside Unified School District (the "District"), Riverside County, California to provide information concerning the $65,000,000 Riverside Unified School District, Election of 2001, General Obligation Bonds, Series B (the "Bonds").

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

The District

The District was established in 1963 through the unification of the Riverside City School District (which was founded in 1887) and the Riverside City High School District. The District encompasses 93.5 square miles in western Riverside County, and a major portion of the District is located within the City of Riverside, the District serves approximately 43,000 students.

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District. 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 Series A Bonds (defined below) 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). See "SECURITY FOR THE BONDS" herein.

Purpose of Issue

Measure "B", which was approved by more than 55 percent of the voters cast by eligible voters within the District at the November 6, 2001 election, authorized the issuance of $175 million of general obligation bonds of the District (the "Measure "B" Authorization") for construction, reconstruction, remodeling, rehabilitation and renovation of school facilities and improvements, including furnishings and equipment, addressing facilities needs at all of the District's schools and support facilities (the "Projects"). Completion of the entirety of the Projects will be phased over approximately 12 years from the date of the Measure "B" Authorization. The District previously issued its $60,000,000 Election of 2001, General Obligation Bonds, Series A (the "Series A Bonds") in March 2002. The Bonds constitute Series B under the Measure "B" Authorization. The District anticipates issuing the remaining $50 million of the Measure "B" Authorization in one or two series over a period of two to four years.

The Bonds are being issued to provide funds for construction of the Martin Luther King High School Aquatic Center, modernization at fourteen schools, wing additions at two middle schools, the Ramona High School Performing Arts Studio, restroom repairs and modernizations, a new communication system, and partial funding for three new elementary schools, including Patricia Beatty Elementary School, Elementary School #34, and Hawthorne Elementary School, and other projects to be selected, and to pay the expenses incurred in connection with the issuance of the Bonds

Description of the Bonds

Bonds. The Bonds will be issued as current interest bonds. The Bonds mature on August 1 in the years and in the amounts indicated on the inside cover page hereof.

Payments. Interest on the Bonds accrues from the date of delivery of the Bonds at the rates set forth on the inside cover page hereto, and is payable semiannually on each February 1 and August 1, commencing August 1, 2006. 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 hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS—Book-Entry Only System" herein.

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 redemption prior to maturity. See "THE BONDS—Redemption Provisions" herein.

Bond Insurance. The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation. See "BOND INSURANCE," "MISCELLANEOUS—Ratings" and Appendix G—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to the provisions of Article 4.5 (commencing with Section 53506) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") and pursuant to a resolution adopted by the Board of Education of the District on March 20, 2006 (the "Resolution"). Pursuant to the Measure "B" Authorization, the District is authorized to issue $175 million of general obligation bonds. The Bonds represent the second series of bonds pursuant to the Measure "B" Authorization.

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 April 19, 2006.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. 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 CERTIFICATE" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Deputy Superintendent, Riverside Unified School District, 6050 Industrial Avenue, Riverside, California, 92504, telephone: (951) 352-6729. 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 herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

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

All terms used herein 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 the Act and the Resolution. In accordance with the Act, 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 provide funds for the construction of the Martin Luther King High School Aquatic Center, modernization at fourteen schools, wing additions at two middle schools, the Ramona High School Performing Arts Studio, restroom repairs and modernizations, a new communication system, and partial funding for three new elementary schools, including Patricia Beatty Elementary School, Elementary School #34, and Hawthorne Elementary School, and other projects to be selected and to pay the expenses incurred in connection with the issuance of the Bonds. See "THE BONDS—Financing Plan" herein.

Description of the Bonds

The Bonds will be issued as current interest 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, 2006, at the annual interest rates shown on the inside cover of this Official Statement. The Bonds are issuable 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. Interest, principal and premium, if any, 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" below.

See the Maturity Schedule on the inside cover and "THE BONDS—Debt Service Schedule" herein.

Paying Agent

The U.S. Bank National Association 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.

Redemption Provisions

Optional Redemption of the Bonds. The Bonds maturing on or after August 1, 2016 are subject to redemption prior to maturity, at the option of the District, from any source of funds, on any Bond Payment Date on or after August 1, 2015, as a whole or in part, in a manner determined by the District, at redemption prices (expressed as percentages of the principal amount to be redeemed), together with accrued interest thereon to the date fixed for redemption, as follows:

Redemption Dates	*Redemption Price*
August 1, 2015 and February 1, 2016	101%
August 1, 2016 and thereafter	100

Mandatory Sinking Fund Redemption of the Bonds. The Bonds maturing on August 1, 2030 are subject to mandatory sinking fund redemption without premium from funds on deposit in the Debt Service Fund established in the Resolution prior to their maturity date, by lot, at a price equal to the principal amount thereof, without premium on each August 1, plus accrued interest thereon to the date of redemption in the following principal amounts on the following dates:

Year (August 1)	*Principal Amount To Be Redeemed*
2028	$7,195,000
2029	7,510,000
2030*	7,840,000

* Final Maturity

Notice of and Effect of Redemption of the Bonds

When redemption is authorized or required, the Paying Agent is required to give written notice to the respective Owners of any Bonds selected for redemption by first class mail at their addresses appearing on the Bond registration books, and to the Securities Depositories and to one or more of the Information Services, all as provided in the Resolution, no less than thirty (30), nor more than forty-five (45), days prior to the date fixed for redemption. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of the accrual of interest from and after the redemption date.

Interest on the Bonds (or portions thereof) called for redemption will cease to accrue on the date fixed for redemption and such Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Resolution and the Owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Resolution contains no provisions requiring any publication of notice of redemption, and Bondowners must maintain a current address on file with the Paying Agent to receive any notices of redemption.

In the event only a portion of any Bond is called for redemption, upon surrender of such Bond, the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of the same series and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

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 the principal amount of $5,000 for Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the Bonds as described herein. See Appendix C—"BOOK-ENTRY ONLY SYSTEM" herein.

Sources and Uses of Funds

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

Sources and Uses

Sources of Funds		
Principal Amount of Bonds	$	65,000,000.00
Original Issue Premium		1,163,190.65
Total Sources of Funds	$	66,163,190.65
Uses of Funds		
Building Fund	$	65,641,483.65
Underwriter's Discount[(1)]		343,707.00
Costs of Issuance		178,000.00
Total Uses of Funds	$	66,163,190.65

(1) Includes municipal bond insurance premium of $144,800.

Financing Plan

The District has adopted a Facilities Improvement Plan which identifies the capital needs at each school site in the District, based on aging classrooms, increasing enrollment, safety and access issues, increased technology demands and growing community needs. The Measure "B" Authorization provides authorization for $175 million in general obligation bonded indebtedness for the construction, reconstruction, remodeling, rehabilitation and renovation projects identified in the Facilities Improvement Plan.

Projects to be funded with the proceeds of the Bonds, collectively in the approximate amount of $63.4 million, include:

- Martin Luther King High School Aquatic Center
- Modernization at Fourteen Schools
- Wing Additions at Two Middle Schools
- Ramona High School Performing Arts Studio
- Restroom Repairs and Modernizations
- New Communication System
- Partial Funding for Three New Elementary Schools, including:

- Patricia Beatty Elementary School
- Elementary School Number 34, and
- Hawthorne Elementary School,

together with other projects to be selected. The District anticipates receiving matching State funds for some of these projects through School Facilities Program Grants (SFP).

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 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 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 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, which under Government Code Sections 53601 and 53635 currently include the following:

1. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

2. Bonds issued by the District including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the District or by a department, board, agency or authority thereof.

3. Registered warrants or treasury notes or bonds of the 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 thereof.

4. Bonds, notes, warrants or other evidences of indebtedness of any local agency within the 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 thereof.

5. Federal agency or United States governmental-sponsored enterprise obligations, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

6. Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on or accepted by a commercial bank, otherwise known as bankers' acceptances. Purchase of bankers' acceptances may not exceed 180 days maturity or 40 percent of the District's money to be invested.

7. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc. and Standard & Poor's

Corporation or Fitch Financial Services, Inc. (the "Rating Agencies"). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of $500,000,000 and having an A or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by the Rating Agencies. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation, or 25 percent of the District's money to be invested.

8. Negotiable certificates of deposit issued by or deposit accounts with a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of commercial paper may not exceed 30 percent of the District's money to be invested.

9. Investments in repurchase agreements and reverse repurchase agreements or securities lending agreements of any securities enumerated above and below satisfying certain other criteria set forth in the statute.

10. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States, which are rated A or better by one of the Rating Agencies.

11. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations as authorized by clauses (1) to (10), inclusive, and (13) and (14) of this definition which have either obtained the highest rating or the highest letter and numerical rating by not less than two of the Rating Agencies or have retained an investment advisor with not less than five years of experience managing similar assets in excess of $500,000,000.

12. California State Treasury Local Agency Investment Fund.

13. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities Exchange Commission under the Investment Company Act of 1940 which have either obtained the highest rating or the highest letter and numerical rating by not less than two of the Rating Agencies or have retained an investment advisor with not less than five years of experience managing similar assets in excess of $500,000,000.

14. Notes, bonds or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Government Code Section 53652 for the purpose of securing local agency deposits.

15. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service.

16. The Riverside County Pooled Investment Fund.

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 Riverside County Pooled Investment Fund as described below.

If deemed acceptable by the District and the Riverside County Treasurer Tax Collector (the "Treasurer"), in order to facilitate the administration of the design, construction, acquisition, rehabilitation and replacement of the District's public school facilities, and the payment of progress payments to the contractors to whom contracts for the design, construction, rehabilitation and replacement of such school facilities are awarded (the "Contractors"), the Treasurer will, upon receiving written instructions from the Deputy Superintendent, the District's Superintendent, or another officer of the District designated by the Board of Education (each a "Designated Officer"), transfer funds (in increments that shall not exceed $5,000,000 in amount) from the Building Fund to a third party custodian (the "Custodian") with whom the District has entered into a custodial agreement that provides for the Custodian holding funds in trust for the benefit of the District, investing such funds at the direction of the District, and disbursing such funds at the direction of the designated officers or agents of the District to make payments to the Contractors. In the event the foregoing transfers to the Custodian are mutually approved by the District and the Treasurer, the Treasurer will be entitled to rely, conclusively and without duty of further inquiry, on all such written instructions received from a Designated Officer, and upon transferring funds from the Building Fund to the Custodian in accordance with such written instructions, the Treasurer will be relieved of all responsibility and have no further duty or liability with respect to such funds. The Board of Education has appointed Wells Fargo Bank, National Association, as the initial Custodian. The Board of Education may appoint a successor Custodian or additional Custodians in its discretion.

Riverside County Treasury Pool

The information in this section has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer"). Neither the District nor the Underwriter has independently verified this information and neither guarantee for the completeness or accuracy thereof.

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of February 28, 2006, the portfolio assets comprising the PIF had a market value of $3,690,904,657.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2004, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 86% of the funds on deposit in the County Treasury, while approximately 14% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board 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 2006 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.

The investments in the Pooled Investment Fund as of February 28, 2006 were as follows:

	Market Value	***Percentage***
Federal Agency Securities	$2,392,863,040.03	64.83%
Cash Equivalents and Money Market Funds	357,000,000.00	9.67%
Commercial Paper	421,882,570.84	11.43%
Negotiable CD's	400,001,942.47	10.84%
Medium Term Notes	19,856,300.00	0.54%
Municipal Bonds	82,545,803.45	2.24%
Certificates of Deposit	15,000,000.00	0.41%
Local Agency Obligation	1,755,000.00	0.05%
Total	$3,690,904,657.79	100.00%

Yield Based Upon Book Value	3.99%
Weighted Average Maturity	299 days

As of February 28, 2006, the market value of the PIF was 99.49% of book value. The 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, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The 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, a designee of 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 Board of Supervisors.

The County has obtained a rating on the PIF of "AAA/MR1" from Moody's Investors Service and "AAA/V1+" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

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 herein.

Debt Service Schedule

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

Year Ending (August 1)	*Annual Principal Payment*	*Annual Interest Payment*	*Total Annual Debt Service*
2006	$ 275,000	$ 835,325.10	$ 1,110,325.10
2007	2,060,000	2,937,206.26	4,997,206.26
2008	2,230,000	2,854,806.26	5,084,806.26
2009	2,110,000	2,765,606.26	4,875,606.26
2010	1,885,000	2,660,106.26	4,545,106.26
2011	2,235,000	2,565,856.26	4,800,856.26
2012	1,195,000	2,454,106.26	3,649,106.26
2013	1,120,000	2,406,306.26	3,526,306.26
2014	1,050,000	2,361,506.26	3,411,506.26
2015	990,000	2,319,506.26	3,309,506.26
2016	2,760,000	2,279,906.26	5,039,906.26
2017	2,785,000	2,169,506.26	4,954,506.26
2018	2,800,000	2,058,106.26	4,858,106.26
2019	2,820,000	1,942,606.26	4,762,606.26
2020	2,830,000	1,826,281.26	4,656,281.26
2021	2,845,000	1,706,006.26	4,551,006.26
2022	1,375,000	1,585,093.76	2,960,093.76
2023	2,135,000	1,524,937.50	3,659,937.50
2024	1,420,000	1,431,531.26	2,851,531.26
2025	1,480,000	1,369,406.26	2,849,406.26
2026	1,915,000	1,304,656.26	3,219,656.26
2027	2,140,000	1,220,875.00	3,360,875.00
2028	7,195,000	1,127,250.00	8,322,250.00
2029	7,510,000	767,500.00	8,277,500.00
2030	7,840,000	392,000.00	8,232,000.00
Total	$65,000,000	$46,865,994.04	$111,865,994.04

The following table summarizes what the aggregate annual debt service requirements will be for all of the District's general obligation bonds that will be outstanding following the issuance of the Bonds:

Riverside Unified School District
Aggregate Annual Debt Service

Year Ending (August 1)	*Series A Bonds*	*Series B Bonds*	*Total*
2006	$ 1,290,437.50	$ 1,110,325.10	$ 2,400,762.60
2007	3,270,375.00	4,997,206.26	8,267,581.26
2008	3,204,231.25	5,084,806.26	8,289,037.51
2009	3,442,487.50	4,875,606.26	8,318,093.76
2010	3,774,700.00	4,545,106.26	8,319,806.26
2011	3,512,847.50	4,800,856.26	8,313,703.76
2012	4,649,172.50	3,649,106.26	8,298,278.76
2013	4,775,462.50	3,526,306.26	8,301,768.76
2014	4,896,512.50	3,411,506.26	8,308,018.76
2015	5,002,762.50	3,309,506.26	8,312,268.76
2016	3,271,537.50	5,039,906.26	8,311,443.76
2017	3,364,625.00	4,954,506.26	8,319,131.26
2018	3,465,012.50	4,858,106.26	8,323,118.76
2019	3,565,687.50	4,762,606.26	8,328,293.76
2020	3,669,375.00	4,656,281.26	8,325,656.26
2021	3,776,643.75	4,551,006.26	8,327,650.01
2022	5,366,806.25	2,960,093.76	8,326,900.01
2023	4,663,893.75	3,659,937.50	8,323,831.25
2024	5,468,250.00	2,851,531.26	8,319,781.26
2025	5,470,750.00	2,849,406.26	8,320,156.26
2026	5,100,500.00	3,219,656.26	8,320,156.26
2027	4,961,000.00	3,360,875.00	8,321,875.00
2028	-	8,322,250.00	8,322,250.00
2029	-	8,277,500.00	8,277,500.00
2030	-	8,232,000.00	8,232,000.00
Total	$ 89,963,070.00	$ 111,865,994.04	$ 201,829,064.04

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 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 any or 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 Treasurer or an independent escrow agent noncallable United States Obligations (as 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 any or all Bonds (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 the Bonds all sums due thereon and the obligations of the District with respect to the applicable Rebate Fund.

In the Resolution, United States Obligations are defined as direct and general obligations of the United States of America or obligations that are unconditionally guaranteed as to principal and interest by the United States of America.

Supplemental Resolutions

(a) 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, without the express consent of the Owner of each Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

(b) 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;

(i) 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;

(ii) to make modifications not adversely affecting any outstanding Bonds in any material respect;

(iii) 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

(iv) 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 sixty percent (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 Treasurer in trust for the payment and discharge of the principal of, the interest and any premium on the Bonds which remain unclaimed for two (2) years after the date when the payment of such principal, interest and

premium have become payable, if such monies were held by the Treasurer at such date, shall be deposited by the Treasurer to the account of the District as its absolute property free from any trust, and the 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.

BOND INSURANCE

The following information has been supplied by the Bond Insurer for inclusion in this Official Statement. No representation is made by District as to the accuracy or completeness of the information.

The Bond Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer and its affiliates set forth under this heading. In addition, the Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds. Reference is made to Appendix G for a specimen of the Policy.

Bond Insurance Policy

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the District to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless Bond Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such

Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

The Bond Insurer is the principal operating subsidiary of MBIA, Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Bond Insurer. The Bond Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Bond Insurer, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of the Bond Insurer are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, the Bond Insurer is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for the Bond Insurer, limits the classes and concentrations of investments that are made by the Bond Insurer and requires the approval of policy rates and forms that are employed by the Bond Insurer. State law also regulates the amount of both the aggregate and individual risks that may be insured by the Bond Insurer, the payment of dividends by the Bond Insurer, changes in control with respect to the Bond Insurer and transactions among the Bond Insurer and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of the Bond Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Bond Insurer "AAA."

Fitch Ratings rates the financial strength of the Bond Insurer "AAA."

Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Bond Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, the Bond Insurer had admitted assets of $10.3 billion (audited), total liabilities of $7.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2005, the Bond Insurer had admitted assets of $11.0 billion (unaudited), total liabilities of $7.2 billion (unaudited), and total capital and surplus of $3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning the Bond Insurer, see the consolidated financial statements of the Bond Insurer and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by the Bond Insurer with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to the Bond Insurer at its principal executive offices.

Incorporation of Certain Documents by Reference

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed by the Company with the Securities and Exchange Commission (the "SEC") is incorporated by reference into this Official Statement.

Any documents, including any financial statements of the Bond Insurer and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including the Company's Annual Report on Form 10-K for the year ended December 31, 2005) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to the Bond Insurer at its principal executive offices.

In the event the Bond Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

SECURITY FOR THE BONDS

The Bonds are general obligation bonds of the District. The 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 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" herein.

The Bonds and the Series A Bonds 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" herein.

The amount of the annual *ad valorem* tax levied by the 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 land 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 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 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 District Bonds are payable on a parity solely from *ad valorem* taxes levied and collected by the Treasurer on taxable property in the District. The District's general fund is not 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 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 XIIIA 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" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the District 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 XIIIA 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. All property is assessed using full cash value as defined by Article XIIIA 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.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (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. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. 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 made up 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 percent 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 percent 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 percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5 percent 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. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the 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.

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 made up by the State.

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 State Board of Equalization ("SBE"). State-assessed

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

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. Thus, the County's Teeter Plan 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. The County has never discontinued the Teeter Plan with respect to any levying 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.

The information provided in Tables 2 through 5 and Table 17 below has been provided in part by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and do not guarantee its accuracy.

Table 1 shows the assessed valuation in the District for the 2001-02 through the 2005-06 fiscal years.

Table 1
RIVERSIDE UNIFIED SCHOOL DISTRICT
Assessed Valuations

	Local Secured	*Utility*	*Unsecured*	*Total*
2001-02	$10,106,744,539	$19,442,625	$690,402,088	$10,816,589,252
2002-03	10,787,707,908	18,714,917	849,427,082	11,655,849,907
2003-04	12,053,729,309	13,467,937	724,479,702	12,791,676,948
2004-05	13,346,965,299	13,813,490	800,897,627	14,161,676,416
2005-06	15,099,074,026	14,571,874	874,182,466	15,987,828,366

Source: Fieldman, Rolapp & Associates, based on information from the Riverside County Auditor-Controller.

Tax Levies and Delinquencies

Table 2 summarizes the annual secured tax levies for debt service within the District and the amount delinquent as of June 30 for the five 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
RIVERSIDE UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Levied[(1)]	*Delinquent Secured Taxes*	*% Delinquent June 30*
2000-01	$ N/A	$ N/A	N/A
2001-02	N/A	N/A	N/A
2002-03	5,439,546.81	127,684.42	2.35%
2003-04	5,940,218.40	121,310.31	2.04
2004-05	5,332,329.36	135,594.74	2.54

(1) Debt service levy only.
Source: California Municipal Statistics, Inc.

Tax Rates

There are a total of 235 tax rate areas in the District. Table 3 summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District from fiscal year 2001-02 to fiscal year 2005-06.

Table 3
RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary of Ad Valorem Tax Rates
Typical Total Tax Rates

	2001-02	*2002-03*	*2003-04*	*2004-05*	*2005-06*
General	1.00000	1.00000	1.00000	1.00000	1.00000
City of Riverside	-	-	-	0.01092	0.00861
Riverside Unified School District	-	0.05000	0.04993	0.04048	0.04054
Riverside Community College District	-	-	-	0.01800	0.01800
Metropolitan Water District	0.00770	0.00670	0.00610	0.00580	0.00520
Total	1.00770	1.05670	1.05603	1.07520	1.07235

Source: California Municipal Statistics, Inc.

Table 4 below lists the 20 largest property taxpayers within the District measured by assessed valuation for fiscal year 2005-06.

Table 4
RIVERSIDE UNIFIED SCHOOL DISTRICT
Twenty Largest 2005-06 Local Secured Property Taxpayers

	Property Owner	*Land Use*	*2005-06 Assessed Valuation*	*% of Total* [(1)]
1.	Tyler Mall LP	Shopping Center	$127,737,523	0.85%
2.	Riverside Healthcare System	Medical Buildings	98,106,495	0.65
3.	California State Teachers Retirement System	Apartments	56,498,183	0.37
4.	Press Enterprise Co.	Industrial	47,861,230	0.32
5.	Mission Grove Park Apartments	Apartments	45,051,430	0.30
6.	Charter Communications Entertainment II	Communications	44,461,444	0.29
7.	University Village	Commercial/Apartments	38,962,524	0.26
8.	Bryan H. Richter	Apartments	38,416,260	0.25
9.	Riverside Plaza	Shopping Center	37,610,527	0.25
10.	Metal Container Corp.	Industrial	37,476,110	0.25
11.	Historic Mission Inn Corp.	Hotel	34,439,027	0.23
12.	Nordstrom Inc.	Department Store	32,071,599	0.21
13.	Mission Grove Plaza LP	Shopping Center	31,107,276	0.21
14.	Windemere at Sycamore Highlands	Apartments	29,682,997	0.20
15.	Quebecor World Inc.	Industrial	27,012,682	0.18
16.	Fairfield Van Buren	Apartments	24,827,704	0.16
17.	DLGP 9A Estancia	Apartments	24,814,007	0.16
18.	Aslan Birchwood	Apartments	23,223,111	0.15
19.	Dow Jones & Co. Inc.	Industrial	23,101,834	0.15
20.	Operating Engineers Funds Inc.	Commercial	22,805,702	0.15
			$845,267,665	5.60%

(1) 2005-06 Local Secured Assessed Valuation: $15,099,074,026
Source: California Municipal Statistics, Inc.

Table 5 describes the District's land use by type in fiscal year 2005-06.

Table 5
RIVERSIDE UNIFIED SCHOOL DISTRICT
2005-06 Assessed Valuation and Parcels by Land Use

	2005-06 Assessed Valuation [(1)]	*% of Total*	*No. of Parcels*	*% of Total*
Residential:				
Single-Family Residence	$ 9,142,843,300	60.55%	48,759	73.04%
Condominium/Townhouse	286,202,416	1.90	2,712	4.06
Mobile Home	8,364,680	0.06	165	0.25
2+ Residential Units	855,309,628	5.66	1,899	2.84
Vacant Residential	621,289,260	4.11	5,986	8.97
Subtotal Residential	$10,914,009,284	72.28%	59,521	89.16%
Non-Residential:				
Agricultural	$ 118,913,376	0.79%	715	1.07%
Commercial	2,135,296,289	14.14	2,013	3.02
Vacant Commercial	204,342,385	1.35	1,015	1.52
Professional/Office	712,985,910	4.72	429	0.64
Industrial	829,975,365	5.50	534	0.80
Recreational	98,043,806	0.65	96	0.14
Government/Social/Institutional	24,461,932	0.16	215	0.32
Vacant Other	45,793,019	0.30	2,103	3.15
Miscellaneous	15,252,660	0.10	119	0.18
Subtotal Non-Residential	$ 4,185,064,742	27.72	7,239	10.84%
Total	$15,099,074,026	100.00%	66,760	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), a copy of which is attached hereto as Appendix D, the District has agreed, upon the occurrence of any of the following "Listed Events", to report the occurrence of such event to the information depositories and the Municipal Securities Rulemaking Board following its determination that such event would constitute material information for the Owners of the Bonds. Listed Events include: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls (other than mandatory scheduled redemptions, not otherwise contingent upon the occurrence of an event, including but not limited to, sinking fund payments); (9) defeasances; (10) release, substitution or sale of property securing repayments of the securities; or (11) rating changes.

In addition, the District has agreed to provide certain annual financial and operating data to information repositories not later than the March 1 following the end of each fiscal year of the District.

These covenants in the Continuing Disclosure Certificate 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 Certificate. A default under the Continuing Disclosure Certificate 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 Certificate and the sole remedy is to bring an action against the District to compel performance with the terms of the agreement.

The District represents that it has never failed to comply in any material respects with any other previous undertakings with respect to Rule 15c2-12.

THE DISTRICT

Introduction

The District, located in western Riverside County, was established in 1963 through the unification of the Riverside City School District (which was founded in 1887) and the Riverside City High School District. The District encompasses 93.5 square miles and serves approximately 43,000 students. The District operates 30 elementary schools, six middle schools, five high schools and one continuation school. Opportunities are also available for adults through the District's Adult Education Program at two schools. The District's current pupil teacher ratio is 30:1 for grade levels K through 2, 32:1 for grade levels 3 through 6, 29:1 for grade levels 7 and 8, and 30:1 for grade levels 9 through 12.

Board of Education

The District is governed by a five 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 6
RIVERSIDE UNIFIED SCHOOL DISTRICT
Board of Education

Name	*Term Expires*
Lewis S. Vanderzyl	December 6, 2007
Gayle Cloud	December 6, 2007
Maxine Frost	December 6, 2007
Kathy Y. Allavie	December 1, 2009
Charles L. Beaty, Ph.D.	December 1, 2009

Source: Riverside Unified School District.

Superintendent and Administrative Personnel

The Superintendent of Schools 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.

Dr. Susan J. Rainey, Superintendent. Dr. Rainey has been the District Superintendent since 1998. Dr. Rainey has served as a school district superintendent for 15 years, the last eight at the District. She began her career in education as a classroom teacher in 1969.

Michael H. Fine, Deputy Superintendent, Business Services & Governmental Relations. Mr. Fine joined the District in May, 2002 and is the Deputy Superintendent for Business Services & Governmental Relations. His areas of responsibility include fiscal services, risk management, purchasing, nutritional services, student transportation, maintenance and facilities, technology services, legislative/legal matters and governmental relations. Mr. Fine began his career in education in 1992 after working 10 years in private industry.

Gladys Walker, Deputy Superintendent, Instructional Service. Ms. Walker began her employment with the District in July, 1992. Ms. Walker is the Deputy Superintendent for Instructional Service. Her areas of responsibility include supervision and evaluation of the K-12 Instructional Services Division. During her 30+ years career in education, Ms. Walker has served as head counselor, assistant principal, principal and Executive Assistant to the Superintendent.

Average Daily Attendance and Base Revenue Limit

Between fiscal years 2000-01 and 2004-05, the District's average daily attendance ("ADA") increased by approximately 11.6 percent. In its fiscal year 2005-06 budget, the District has assumed an ADA of 40,501 for purposes of calculating its revenue limit, and has assumed base revenue limit funding of $5,155.82 per unit of ADA. For each unit of average daily attendance, the District receives from the State an amount equal to the base revenue limit. See "THE DISTRICT—Base Revenue Limit" herein. The ADA and Base Revenue Limit for fiscal years 2000-01 through 2004-05 are set forth below.

Table 7
RIVERSIDE UNIFIED SCHOOL DISTRICT
Average Daily Attendance

Fiscal Year	*Total Average Daily Attendance*	*Base Revenue Limit per Student per Year*
2000-01	35,893	$4,453.49
2001-02	37,541	4,633.84
2002-03	38,841	4,720.49
2003-04	39,547	4,808.49
2004-05	40,079	4,944.82

Source: Riverside Unified School District.

Employee Relations

In the fall of 1974, the State of California (the "State") Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers of the District (certificated personnel) are represented by the Riverside City Teachers Association. They are currently under a 4-year contract that will expire in June 2006; however, each fiscal year the salaries and benefits are renegotiated. A settlement has been reached for fiscal year 2006-07 and was approved by the Board of Education on March 21, 2005. As of June 30, 2005, the District employed 2,387 certificated employees with a total covered payroll of $148,137,116.

Table 8
RIVERSIDE UNIFIED SCHOOL DISTRICT
Certificated Employees

Fiscal Year	*Total Number of Employees*
2000-01	2,141[(1)]
2001-02	2,189[(1)]
2002-03	2,403[(2)]
2003-04	2,384[(2)]
2004-05	2,387[(2)]

(1) Full-time employees only.
(2) Includes both full-time and part-time employees.
Source: Riverside Unified School District.

The California School Employees Association (CSEA) has been selected as the exclusive bargaining agent for non-teaching (classified) personnel. They are currently under a 3-year contract that will expire in November 2007; however, each fiscal year the salaries and benefits are renegotiated. A settlement has been reached for fiscal year 2006-07 and was approved by the Board of Education on March 21, 2005. As of June 30, 2005, the District employed 2,634 classified employees with a total covered payroll of $40,932,052.

Table 9
RIVERSIDE UNIFIED SCHOOL DISTRICT
Classified Employees

Fiscal Year	*Total Number of Employees*
2000-01	1,600[(1)]
2001-02	1,717[(1)]
2002-03	2,610[(2)]
2003-04	2,488[(2)]
2004-05	2,634[(2)]

(1) Full-time employees only.
(2) Includes both full-time and part-time employees.
Source: Riverside Unified School District.

Retirement System

The District participates in the State of California Teachers' Retirement System ("STRS") which provides benefits to full-time certificated personnel. The District also participates in the State of California Public Employees Retirement System ("PERS") which provides benefits to full-time classified personnel and part-time employees who are employed more than 1,000 hours during the year.

The District was required to contribute 8.25 percent of gross salary expenditures for a total of $12,066,209 to STRS during the fiscal year ended June 30, 2005 as set forth in Table 10 below. The District made a PERS contribution during fiscal year ended June 30, 2005 of $4,092,870. For fiscal year 2005-06, the District has budgeted for a STRS contribution of $9,684,176.45 and a PERS contribution of $2,234,443.00.

Retiree Healthcare. The Government Accounting Standards Board (GASB) issued its final accrual accounting standards for retiree healthcare benefits, GASB 45, in June 2004. The scheduled effective date for GASB 45 is 2007, or possibly later, depending on the annual revenues of the District. GASB 45 will require public employers such as the District to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities. Although the requirements of GASB 45 do not take effect for the District until

January 2007, the District engaged the actuarial firm of Demsey, Filliger and Associates (DF&A) to perform an actuarial valuation of the retiree health insurance program of the District as of July 1, 2005.

DF&A determined that the amount of actuarial liability for District-paid retiree benefits, as of July 1, 2005, was $40,377,730. This represented the present value of all benefits expected to be paid by the District for its current and future retirees and includes benefits for 209 retirees as well as 3,643 active employees expected to retire and receive benefits in the future. It does not include employees hired after the valuation date. Pursuant to the DF&A report, when the above amount was apportioned into past service and future service components under the projected unit credit cost method, the past service liability ("AL") component was determined to be $26,059,654 as of July 1, 2005. This amount represents the present value of all benefits earned to that date assuming that an employee earns retirement benefits ratably over his or her career. The $26,059,654 was comprised of liabilities of $22,721,874 for active employees and $3,337,780 for retirees. As of July 1, 2005, the District held a reserve of $2,025,578 earmarked for pre-funding of retiree benefits, thus the Unfunded Accrued Liability ("UAL"), equal to the AL less Assets, was $24,034,077 as of that date.

DF&A calculated that the District's annual expense for fiscal year 2005-06 under GASB 45 would be $3,394,391, consisting of the present value of benefits accruing in the current year and a 30-year amortization of the UAL. The District is expected to pay $842,852 for the 2005-06 fiscal year in healthcare costs on behalf of its retirees, thus the change to accrual accounting would represent a first-year increase in annual expense of $2,551,539. The District has not yet commented on the DF&A report.

Table 10
RIVERSIDE UNIFIED SCHOOL DISTRICT
Retirement Contributions for Fiscal Year 2004-05

	Number of Employees Covered	*Total Employer Contributions*	*District's Fiscal Year 2004-05 Covered Payroll*	*Employer Contribution as a Percentage of Covered Payroll*
STRS	2,647	$ 12,066,208.78	$146,256,668.44	0.0825
PERS	1,494	4,092,890.73	41,126,318.48	0.09116

Source: Riverside Unified School District.

Insurance

The District is a member of the Alliance of Schools for Cooperative Insurance Programs ("ASCIP") and the Schools Excess Liability Fund ("SELF"), both of which are joint powers authorities. The District pays an annual premium to each authority for its health, workers' compensation and property liability coverage. The relationships between the District and these authorities are such that they are not component units of the District for financial reporting purposes.

The District initiated a self-insurance program for employee health and welfare benefits during the 2000-01 fiscal year. As of June 30, 2005, the General Fund had an outstanding liability for open and incurred but not reported claims for the District's employee health insurance program in the amount of $2,522,829.

Employee life, health and disability insurance programs are administered through the District's General Fund through the purchase of commercial insurance and self-insurance. The District participates in the ASCIP public entity risk pools joint powers authority for workers' compensation insurance and purchases excess liability coverage through SELF. The uninsured amount is administered by the District's workers' compensation excess insurance and purchases excess liability coverage through ASCIP. The property and liability program, for which the District retains risk of loss, is administered by the Self-Insurance Fund. Excess property and liability coverage is obtained through ASCIP and SELF. Workers' compensation claims

in excess of $350,000 self-insured retention are covered up to $10,000,000 per occurrence. General liability claims in excess of $100,000 self-insured retention are covered up to $15,000,000 per occurrence.

State Audit

On October 28, 2004, the California State Controller's Office completed two separate audit reports of certain claims filed by the District for costs of the legislatively mandated Intradistrict Attendance Program (Chapters 11 and 915, California Statutes of 1993) for the periods of July 1, 1998 through June 30, 2001 and July 1, 1999 through June 30, 2002, respectively. The audits conclude that a total of $1,358,531 of District claims under the Attendance Program are unallowable based on lack of supporting evidence. The Office of the State Controller is now reviewing twenty of its Attendance Program audits and has informed the District that at least one of the two District audits is among the first five audits selected for review. The District is awaiting further determinations by the Office of the Controller with respect to the District audits.

DISTRICT FINANCIAL MATTERS

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.

Comparative Financial Statements and 2005-06 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.

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Table 11 below summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05. 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, 2005" for further detail on the District's financial condition as of June 30, 2005.

Table 11
RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance

	Audited 2000-01	*Audited 2001-02[1]*	*Audited 2002-03*	*Audited 2003-04*	*Audited 2004-05*
SOURCES					
Revenue Limit Sources:					
State Apportionments	$ 109,550,200	$ 178,172,272	$ 186,838,847	$ 189,088,635	$ 198,291,684
Local Sources	54,908,050	15,704,064	21,548,265	23,120,886	25,084,895
Total Revenue Limit	$ 164,458,250	63,687,013	57,056,742	49,340,358	61,776,191
		5,155,400	4,665,679	3,232,908	4,896,885
Federal Revenues	$ 15,463,048	$ 262,718,749	$ 270,109,533	$ 264,782,787	$ 290,049,655
Other State Revenues	64,972,851				
Other Local Revenue	6,255,617				
Total Revenues	$ 251,149,766				
EXPENDITURES					
Certificated Salaries	$ 126,987,905	$ 163,409,896	$ 163,748,975	$ 169,277,143	$ 188,974,908
Classified Salaries	36,317,893				
Employee Benefits	36,004,257				
Books and Supplies	9,662,014				
Contracted Services & Operating Expenditures	22,528,684				
Other Outgo	3,563,165				
Capital Outlay	3,929,129				
Total Expenditures	$ 238,993,047				
Excess of (Deficiency) of Revenues Over Expenditures	$ 12,156,719				
OTHER FINANCING SOURCES					
Operating Transfers In	$ 667,600				
Operating Transfers Out	(3,726,971)				
Total Other Financing Sources (uses)	$ (3,059,371)				
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	$ 9,097,348				
Fund Balance (Deficit), July 1	9,085,586				
Fund Balance (Deficit), June 30	$ 18,182,934				
		Instruction – Related Services			
		Supervision of instruction	8,084,193	8,607,663	8,209,751	8,918,111
		Instructional library, media, and technology	4,108,178	3,387,582	2,769,022	3,178,356
		School site administration	21,999,241	22,775,869	22,682,098	22,458,580
		Pupil Services				
		Home-to school transportation	5,215,711	5,652,023	5,877,176	6,608,798
		Food Services	971,255	39,472	47,284	38,573
		All other pupil services	10,905,130	10,784,314	9,685,417	10,503,026
		General Administration:				
		Data Processing	3,107,757	2,787,315	3,290,995	3,160,388
		All other general administration	9,354,654	9,690,596	6,800,470	8,885,226
		Plant Services	22,967,420	23,809,566	23,594,847	27,201,911
		Facilities Acquisition and Construction	1,870,754	2,072,443	955,945	1,316,366
		Ancillary Services	2,024,038	2,092,962	2,178,405	2,256,992
		Community services	95,772	162,652	131,642	92,934
		Other Outgo	57,656	136,257	305,763	443,369
		Total Expenditures	$ 254,171,655	$ 255,747,689	$ 255,805,958	$ 284,037,538
		Excess of (Deficiency) of Revenues Over Expenditures	$ 8,547,094	$ 14,361,844	$ 8,976,829	$ 6,012,117
		OTHER FINANCING SOURCES				
		Operating Transfers In	--	--	$ 1,179,102	$ 8,242
		Other sources	$ 1,142,415	--	(9,122,958)	--
		Operating Transfers Out	(2,461,561)	$ (2,570,522)	(30,500)	(8,210,462)
		Net Financing Sources (uses)	$ (1,319,146)	$ (2,570,522)	$ (7,974,356)	$ (8,202,220)
		NET CHANGE IN FUND BALANCES	7,227,948	11,791,322	1,002,473	(2,190,103)
		Fund Balance (Deficit), July 1	18,182,935	25,410,882	37,202,204	38,204,677
		Fund Balance (Deficit), June 30	$ 25,410,883	$ 37,202,204	$ 38,204,677	$ 36,014,574

(1) In Fiscal Year 2001-02, the District implemented new reporting requirements contained in Statements No. 33 and 34 of the Government Accounting Standards Board. Due to this change, a new financial reporting model has been utilized and categories of expenditures tracked have been revised accordingly.

Source: Riverside Unified School District Audited Financial Statements for fiscal years 2000-01 through 2004-05.

Table 12 below compares the District's 2004-05 Adopted Budget to its actual revenues and expenditures for fiscal year 2004-05 and its 2005-06 Adopted Budget to its Second Interim Report for the reporting period ending January 31, 2006 (the "Second Interim Report").

Table 12
RIVERSIDE UNIFIED SCHOOL DISTRICT
Comparison of 2004-05 Budgeted to Actual Revenues and Expenditures and 2005-06 Budgeted to Second Interim Report

	2004-05 Budget	*2004-05 Audited*	*2005-06 Budget*	*2005-06 Second Interim Report*
SOURCES				
Revenue Limit Sources:	$ 199,542,472	$ 198,291,684	$ 210,288,496	$ 209,842,424
Federal Sources	20,561,796	25,084,895	21,909,246	32,351,511
State Apportionments	49,005,542	61,776,191	52,493,207	59,737,593
Local Sources	2,163,725	4,896,885	2,516,778	3,993,349
Total Revenue Limit	$ 271,273,535	$ 290,049,655	$ 287,207,727	305,924,877
EXPENDITURES				
Instruction	$ 171,789,824	$ 188,974,908	$ 189,413,377	$ 206,731,924
Instruction – Related Services	34,389,601		36,918,117	40,797,802
Supervision of instruction		8,918,111		
Instructional library, media, and technology		3,178,356		
School site administration		22,458,580		
Pupil Services	16,384,082		18,388,059	20,773,882
Home-to school transportation		6,608,798		
Food Services		38,573		
All other pupil services		10,503,026		
General Administration:	12,301,676		11,445,652	13,043,986
Data Processing		3,160,388		
All other general administration		8,885,226		
Plant Services	27,744,869	27,201,911	29,630,478	31,052,000
Facilities Acquisition and Construction		1,316,366	-	-
Ancillary Services	2,210,075	2,256,992	2,271,339	1,930,653
Community services	137,227	92,934	135,295	135,098
Other Outgo	-	443,369	44,000	827,383
Total Expenditures	$ 264,957,354	$ 284,037,538	$ 288,246,317	$ 315,292,728
Excess of (Deficiency) of Revenues Over Expenditures	$ 6,316,181	$ 6,012,117	$ (1,038,590)	$ (9,367,851)
OTHER FINANCING SOURCES				
Operating Transfers In	$ 900,000	$ 8,242	$ 1,000,000	$ 1,000,000
Other sources	--	--	--	--
Operating Transfers Out	(951,914)	(8,210,462)	(3,770,302)	(4,247,327)
Net Financing Sources (uses)	$ (51,914)	$ (8,202,220)	$ (2,770,302)	$ (3,247,327)
NET CHANGE IN FUND BALANCES	6,264,267	(2,190,103)	(3,808,892)	(12,615,178)
Fund Balance (Deficit), July 1	37,638,975	38,204,677	25,509,776	36,014,573
Fund Balance (Deficit), June 30	$ 43,903,242	$ 36,014,574	$ 21,700,884	$ 23,399,395

Source: Riverside Unified School District Budget and Audit Financial Statements for fiscal years 2004-05 and 2005-06 and the Second Interim Report as of the period ending January 31, 2006.

Table 13 contains the District's Adopted Budget for fiscal year 2005-06, the District's Second Interim Report and the difference between the Adopted Budget for fiscal year 2005-06 and the Second Interim Report.

Table 13
RIVERSIDE SCHOOL DISTRICT
Adopted Budget for Fiscal Year 2005-06, Second Interim Report for Fiscal Year 2005-06 and Comparison of Budgeted and Estimated Actuals

	2005-06 Adopted Budget	*2005-06 Second Interim Report*	*Difference Between 2005-06 Adopted Budget and 2005-06 Second Interim Report*
REVENUES			
Revenue Limit Sources	$ 210,288,496	$ 209,842,424	$ 446,072
Federal Revenues	21,909,246	32,351,511	(10,442,265)
Other State Revenues	52,493,207	59,737,593	(7,244,386)
Other Local Revenues	2,516,778	3,993,349	(1,476,571)
Total Revenues	$ 287,207,727	$ 305,924,877	$ (18,717,150)
EXPENDITURES			
Certificated Salaries	$ 150,260,073	$ 150,854,069	$ (593,996)
Classified Salaries	40,830,003	41,505,406	(675,403)
Employee Benefits	59,770,471	57,143,125	(2,627,346)
Books and Supplies	14,281,751	36,629,745	(22,347,994)
Other Operating Expenditures	22,832,794	27,852,810	(5,020,016)
Capital Outlay	594,630	1,089,661	(495,031)
Other Outgo	44,000	585,317	(541,317)
Direct Support/Indirect Costs	(367,405)	(367,405)	-
Total Expenditures	$ 288,246,317	$ 315,292,728	$ (27,046,411)
Revenues over (under) expenditures	$ (1,038,590)	$ (9,367,851)	$ (8,329,261)
OTHER FINANCING SOURCES			
Operating Transfers In	$ 1,000,000	$ 1,000,000	$ -
Operating Transfers Out	(3,770,302)	(4,247,327)	(477,025)
Other	-	$ -	$ -
Total Other Sources (uses)	$ (2,770,302)	$ (3,247,327)	$ (477,025)
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	$ (3,808,892)	$ (12,615,178)	$ (8,806,286)
Fund Balance (Deficit), July 1	$ 25,509,776	$ 36,014,574	$ (10,504,798)
Fund Balance (Deficit), June 30	$ 21,700,884	$ 23,399,396	$ (1,698,512)

Source: Riverside Unified School District Adopted Budget for fiscal year 2005-06 and Second Interim Report as of the period ending January 31, 2006.

Table 14 below sets forth the District's General Fund balance sheet for the last five Fiscal Years.

Table 14
RIVERSIDE UNIFIED SCHOOL DISTRICT
Summary of Combined General Fund Balance Sheet

	Audited 2000-01	*Audited 2001-02*	*Audited 2002-03*	*Audited 2003-04*	*Audited 2004-05*
ASSETS					
Cash and cash equivalents	$ 625,000	$ 643,695	$ 26,583,693[(1)]	$ 30,202,825[(1)]	$ 22,597,202[(1)]
Investments	15,211,721	23,717,948	--	--	--
Accounts receivable	14,181,014	11,345,236	24,135,002	24,456,395	21,757,781
Due from other funds	2,200,287	1,472,253	1,805,220	1,564,745	2,552,702
Stores inventories	410,908	487,108	1,606,004	656,340	348,890
Total Assets	$ 32,628,930	$ 37,666,240	$ 54,129,919	$ 56,880,305	$ 47,256,575
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	$ 8,647,032	$ 8,308,623	$ 9,065,520	$ 10,695,130	$ 6,800,023
Due to other funds	268,336	356,273	2,330,327	4,919,097	3,212,357
Deferred revenue	5,530,628	3,590,461	5,531,868	3,061,401	1,229,621
Total Liabilities	$ 14,445,996	$ 12,255,357	$ 16,927,715	$ 18,675,628	$ 11,242,001
FUND EQUITY					
Reserved:					
Stores Inventory:	--	$ 487,108	$ 1,606,004	$ 656,340	$ 348,890
Other Reservations:	$ 5,700,225	3,124,426	5,392,085	4,704,054	150,000
Unreserved					
Designated	12,266,553	21,799,349	30,204,115	32,844,283	35,515,684
Undesignated	216,156	--	--	--	--
Total Fund Equity	$ 18,182,934	$ 25,410,883	$ 37,202,204	$ 38,204,677	$ 36,014,574
Total Liabilities and Fund Equity	$ 32,628,930	$ 37,666,240	$ 54,129,919	$ 56,880,305	$ 47,256,575

[(1)] The Audited Financial Statements for fiscal years 2002-03, 2003-04 and 2004-05 denotes this line item as "Deposits and Investments."

Source: Riverside Unified School District Audited Financial Statements for fiscal years 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues); (2) federal sources; (3) other State sources; 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. In fiscal year 2003-04, the District's base revenue limit per unit of ADA was $4,808.49. For fiscal year 2004-05, the District's base revenue limit per unit of ADA was $4,944.82. For fiscal year 2005-06, the District has budgeted assuming a base revenue limit per unit of ADA of $5,155.82.

In fiscal year 2003-04, the District received $189,088,635 of revenue limit source income, representing approximately 71.4% of its General Fund revenues. In fiscal year 2004-05, the District received

$198,291,684 of revenue limit source income, representing approximately 68.4% of its General Fund revenues as of June 30, 2005. For fiscal year 2005-06, the District is projecting approximately $210,288,496 of revenue limit source income, representing 71.5% 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 2004-05, $53,669,909 or 27% of the District's revenue limit sources 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 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 Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, comprised approximately 8.7% of General Fund revenues in fiscal year 2003-04, 8.6% in fiscal year 2004-05 and are projected to equal approximately 9.3% in fiscal year 2005-06.

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 2003-04 and 2004-05, respectively, Other State Revenues comprised for approximately 18.6% and 21.3% of total General Fund revenues. In fiscal year 2005-06, Other State Revenues are projected to equal approximately 18.6% of total General Fund revenues. Many of the Other State Revenues are restricted to specific types of program uses such as special education, transportation, class size reduction and instructional materials.

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. These Other Local Sources comprised approximately 1.2% and 1.7% of the total General Fund revenues in fiscal years 2003-04 and 2004-05, respectively, and are projected to equal less than 0.9% of the total General Fund revenues in fiscal year 2005-06.

Developer Fees

The District maintains a Capital Facilities 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 developer fee is $3.83 per square foot of habitable space on domestic housing developments. The current developer fee on commercial developments is $2.24 per square foot and the current developer fee

on industrial developments is 0.56 per square foot. As of June 30, 2005, a balance of $4,998,375 existed in the District's Capital Facilities Fund. The projected balance for June 30, 2006 is $5,585,470.

Table 15
RIVERSIDE UNIFIED SCHOOL DISTRICT
Developer Fee Collections

Fiscal Year	*Developer Fees Collected*
2001-02	$2,405,808.40
2002-03	4,351,659.12
2003-04	2,421,191.34
2004-05	3,839,329.86
2005-06*	3,839,001.00*

* Projected estimate.
Source: Riverside Unified School District.

The District also negotiates with certain developers to pay certain amounts in lieu of the payment of developer fees. Generally, these additional amounts are financed through Mello-Roos community facilities districts. See "DISTRICT DEBT STRUCTURE" below.

DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2005, the District had $32,833,235 of long-term debt outstanding (not including debt of the Mello-Roos community facilities districts (the "CFDs") that it has formed or its general obligation bonded debt) for which it had $32,549,848 reserved and available for retirement of such debt. The debt of the CFDs is payable from special taxes levied on the parcels within those districts, and the District's general obligation debt, including the Series A Bonds and the Bonds, is payable from *ad valorem* taxes levied on the parcels within the District, and not from general revenues of the District. The District does not have any significant capital leases.

A schedule of changes in long-term debt for the year ended June 30, 2005 is as follows:

Table 16
RIVERSIDE UNIFIED SCHOOL DISTRICT
Long-Term Debt

General Long-Term Debt Account Group	*Balance as of July 1, 2004*	*Additions*	*Deductions*	*Balance as of June 30, 2005*
General Obligation Bonds	$ 57,000,000	--	$ $3,410,000	$ 53,590,000
CFD Bonded Debt	44,165,000	$ 38,885,000	1,060,000	81,990,000
Certificates of Participation	28,840,000	--	1,235,000	27,605,000
Accumulated Vacation	3,285,793	--	157,558	3,128,235
Worker's compensation/IBNR	6,778,185	--	4,678,185	2,100,000
	$ 140,068,978	$ 38,885,000	$ 10,540,743	$ 168,413,235

Source: Riverside Unified School District.

Short-Term Debt

The District has no short-term debt outstanding.

Capital Plan

The District has identified a capital facilities need of $235 million over the next five years to alleviate overcrowding, renovate and modernize exiting facilities and upgrade technology. To help fund this capital facilities need, voters in the District approved the issuance of $175 million of general obligation bonds in a measure on the November 6, 2001 election. The District will continue to apply for State aid under the Leroy F. Greene School Facilities Program to the extent funds become available for the purpose of funding its projects.

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 17 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 17
RIVERSIDE UNIFIED SCHOOL DISTRICT
Estimated Direct and Overlapping Bonded Debt
As of February 1, 2006

2005-06 Assessed Valuation:	$15,987,828,366
Redevelopment Incremental Valuation:	2,219,059,305
Adjusted Assessed Valuation:	$13,768,769,061

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/06	
Metropolitan Water District	0.940%	$ 3,942,266	
Riverside Community College District	2.746	18,639,029	
Riverside Unified School District	100.000	53,090,000	(1)
Riverside Unified School District Community Facilities District Nos. 1,2,3,4,6 & 8	100.000	108,245,000	
City of Riverside	77.739	15,229,070	
City of Riverside Community Facilities Districts	100.000	44,523,000	
City of Riverside 1915 Act Bonds	100.000	5,405,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$249,073,365	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	11.160%	$ 67,737,473	
Riverside County Pension Obligations	11.160	44,640,000	
Riverside County Board of Education Certificates of Participation	11.160	1,254,384	
Riverside Unified School District Certificates of Participation	100.000	26,325,000	
City of Riverside General Fund Obligations	77.739	43,475,536	
City of Riverside Pension Obligations	77.739	115,271,389	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$298,703,782	
Less: Riverside County self-supporting obligations		2,240,050	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$296,463,732	
GROSS COMBINED TOTAL DEBT		$547,777,147	(2)
NET COMBINED TOTAL DEBT		$545,537,097	

Ratios to 2005-06 Assessed Valuation:
- Direct Debt ($53,090,000) 0.33%
- Total Direct and Overlapping Tax and Assessment Debt 1.56%

Ratios to Adjusted Assessed Valuation:
- Combined Direct Debt ($79,415,000).....0.58%
- Gross Combined Total Debt 3.98%
- Net Combined Total Debt.....3.96%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $0

(1) Excludes Bonds to be sold.
(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.

STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT SOURCES AND EXPENDITURES

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 46, 49, 55, 98, 111, 187, 227 and IA and certain other provisions of law discussed below, are discussed in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) 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 school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or

(b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State's allowable limit. The District does not currently have and does not anticipate having "proceeds of taxes" in excess of its appropriations limit.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including 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. Proposition 218 also

provides that no tax maybe assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

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" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes 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 would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any

corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In the current fiscal year, the State Legislature and the Governor utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools. The amount funded was approximately $2 billion less than what Proposition 98 would have otherwise provided.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools 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 will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, some fiscal observers expect Proposition 98 to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason in that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

Proposition 187

At the November 8, 1994 General Election, California voters approved Proposition 187, an initiative statute, which makes illegal aliens ineligible for public social services, public health care services (unless emergency under federal law), and public school education at elementary, secondary and post-secondary levels. Among other things, Proposition 187 also requires state and local agencies to report persons who are suspected illegal aliens to the California Attorney General and the United States Immigration and Naturalization Service (the "INS"). The Legislative Analyst estimated the most significant fiscal effects of Proposition 187 would fall into the following three categories:

Program Savings. The state and local governments (primarily counties) would realize savings from denying certain benefits and services to persons who cannot document their citizenship or legal immigration status. These savings could be in the range of $200 million annually, based on the current estimated use of these services and benefits by illegal immigrants.

Verification Costs. The state, local governments, and schools would incur significant costs to verify citizenship or immigration status of students, parents, persons seeking health care or social services, and persons who are arrested. Ongoing annual costs could be in the tens of millions of dollars, with first-year costs considerably higher (potentially in excess of $100 million).

Potential Losses of Federal Funds. Proposition 187 places at risk up to $15 billion annually in federal funding for education, health and welfare programs due to conflicts with federal requirements.

With respect to Public Education, the Legislative Analyst reported that any child who lives in California may attend public schools through high school. The U.S. Supreme Court has determined (in the case of *Plyler v. Doe*) that excluding children who are illegal immigrants from public schools violates the federal constitution.

Based on INS estimates, the exclusion of roughly 300,000 illegal immigrant children in California public schools, the State of California could save up to $1.2 billion annually; however, in light of the U.S. Supreme Court decision in Plyler v. Doe, the Legislative Analyst has stated these estimated savings would not be realized.

Following the adoption of Proposition 187 by California voters, numerous suits were filed in federal courts challenging the constitutionality of Proposition 187. Orders have been issued by the federal district court to restrain the State from implementing Proposition 187. On March 8, 1998, the federal district court entered a final judgment in the case, holding key portions of the measure unconstitutional and permanently enjoining the State from implementing those sections which would have required law enforcement, teachers and social service and health care workers to verify a person's immigration status and subsequently report illegal immigrants to authorities and deny them social service, health care and education benefits. Due to uncertainties surrounding the future legal interpretations and court decisions with respect to the constitutionality of Proposition 187, the District is not able to estimate the future fiscal and operational impacts of this initiative statute on the District.

Proposition 227

Proposition 227 was enacted in the California Primary Election held on June 2, 1998, and amends the California Education Code to require that all children in California public schools be taught English by being taught in English, and requires that all children be placed in English language immersion classrooms. During a temporary transition period, normally not to exceed one year, English learners (students who do not speak English or whose native language is not English) will be educated in a sheltered English immersion program. Once English learners acquire a good working knowledge of English, they shall be transferred to English language mainstream classrooms. Proposition 227 also addresses penalties associated with not following the law as written. In summary, Proposition 227 (1) removes the right of the local education agency (board of education) to determine the program of instruction for English learners, (2) establishes a complex system for parents who desire a waiver to have their children learn through their primary language, and (3) imposes penalties for refusal to implement the enactment of its entirety. The constitutionality of Proposition 227 has been upheld in federal court.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt from the one percent *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55 percent of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed to review the use of the bond funds and inform the public about their proper usage.

The Bonds were authorized and will be issued pursuant to Proposition 39.

Proposition 49

The After School Education Act and Safety Program Act of 2002 ("Proposition 49") appeared on the November 5, 2002 ballot as Proposition 49 and was approved by the California voters. This measure increases state grant funds available for before/after school programs, providing tutoring, homework assistance, and educational enrichment.

Increased Before and After School Funding. Under Proposition 98, approved by the voters in 1988, the State Constitution requires appropriation of a minimum annual amount for public schools and community colleges (K–14 education) from the state General Fund and local property tax revenues. Generally, this annual amount is based on prior-year spending adjusted for growth in the number of students attending public schools and growth in the state's economy.

Beginning in 2004–05, Proposition 49 requires a specific spending level each year for the renamed After School Education and Safety Program. The annual amount would be up to $550 million, and would depend on the growth in General Fund spending outside of Proposition 98. Proposition 49 specifies that funding for the program would be "continuously appropriated" (that is, appropriated automatically each year without further legislative action) and that the statutes authorizing the continuous appropriation may not be amended by the Legislature.

New Funding Priorities Within Before and After School Program. Beginning in fiscal year 2004–05, Proposition 49 establishes new funding priorities. First, schools that received a State before or after school grant in 2003–04 would continue to receive an equivalent grant amount in 2004–05 and each subsequent year. The second priority under Proposition 49 is to make every elementary, middle, and junior high school eligible to receive a new After School Education and Safety Universal Grant to operate after school programs during the regular school year. However, if available funding were insufficient to provide after school funding to all schools, priority for the new grants would be consistent with current law, targeting schools with at least 50 percent of its pupils eligible for federally subsidized meals. If the first and second priorities are fully funded, any additional funds would be distributed for both before and after school programs based on current priorities and funding rules. Proposition 49 allows schools receiving a grant under the first two priorities to apply for these additional funds.

Funding Rules for New After School Universal Grants. Under Proposition 49, schools awarded a universal after school grant would be reimbursed up to $5 per participating pupil per day. This funding rate is the same as the after school component of the current state program. However, Proposition 49 caps the new universal grants at lower amounts—$50,000 for elementary schools and $75,000 for middle and junior high schools—for each regular school year. In addition, these grant amounts would not be adjusted upward for

large schools. As with existing law, schools receiving a grant would need $1 in local matching funds for each $2 of universal grant funds.

Funds for Training, Evaluation, and State Administration. Beginning in 2004–05, Proposition 49 allows the State Department of Education (SDE) to spend up to 1.5 percent of the funds for the After School Education and Safety Program on program evaluations and training, and support for program implementation and development. The department may also use program funds to cover the costs of awarding and monitoring program grants.

Proposition 55

The Kindergarten-University Public Education Facilities Bond Act of 2004 ("Proposition 55") appeared on the March 2, 2004 ballot as Proposition 55 and was approved by California voters. This measure authorizes the sale and issuance of $12.3 billion in general obligation bonds for construction and renovation of K-12 school facilities ($10.0 billion) and higher education facilities ($2.3 billion).

K-12 School Facilities. Proposition 55 includes $5.26 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts will be required to pay for 50% of the costs with local revenues, unless qualified for hardship funding. In addition, $300 million of the $5.26 billion would be available for charter school facilities. Proposition 55 makes available $2.25 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts will be required to pay for 40% of the costs with local revenues. Proposition 55 directs a total of $2.44 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have large number of pupils relative to the size of the school site. $50 million will be available to fund joint-use projects.

Higher Education Facilities. Proposition 55 includes $2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems. The Governor and the Legislature will select the specific projects for funding by the funds available under the $12.3 billion bond issuance.

The table below shows the planned use of bond funds for the $12.3 billion bond issuance:

PROPOSITION 55
Use of Bond Funds
(In Millions)

K-12	
New construction projects	$5,260[(1)]
Modernization projects	2,250
Critically overcrowded schools	2,440
Joint Use	50
Subtotal, K-12	$10,000[(2)]
Higher Education	
Community Colleges	$920
California State University	690
University of California	690
Subtotal, Higher Education	$2,300
Total	$12,300

(1) Up to $300 million available for charter schools.
(2) Up to $20 million available for energy conservation projects.
Source: California Secretary of State.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change in 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 Fees revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) 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 with in 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 of community colleges or to those mandates relating to employee rights.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, and Propositions 39, 46, 49, 55, 98, 111, 187, 227 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the California electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of amounts legally available to the District.

STATE OF CALIFORNIA FISCAL ISSUES

The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District has not independently verified such information and does not guaranty its accuracy. 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 of principal and interest on the Bonds.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes. See "DISTRICT FINANCIAL MATTERS—Revenue Limit Sources" herein. State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs. Revenues received by the District from all State sources accounted for approximately 89.7% of total general fund revenues in 2004-05.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. See "STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT SOURCES AND EXPENDITURES" herein.

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 of the same type of school districts in the State (e.g., elementary, unified or high school). The District's revenue limits per unit of average daily attendance for the past five fiscal years are set forth in Table 7 above. The District's fiscal year 2005-06 budget is based on the assumption that its base revenue limit per unit of average daily attendance for fiscal year 2005-06 will be $5,155.82.

State law also provides for State support of specific school-related categorical programs including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays, and various categorical aides.

State Budget Measures

Economic Conditions in California. Since early 2001, the State has faced severe financial challenges, challenges which may continue for several years. The Stated ended fiscal year 2001-02 with a $2.1 billion negative fund balance which grew to a $7.5 billion negative fund balance at the end of fiscal year 2002-03. The State's fiscal condition has been gradually improving through a combination of budget cuts, the sale of deficit reduction bonds and increasing tax revenues. However, the State still has a substantial deficit in its General Fund in that annual expenditures exceed its revenues.

2005-06 State Budget. On July 11, 2006, the Governor signed the 2005-06 Budget Act (the "2005-06 Budget"). The information in this section is adapted from the Governor's summary of the 2005-06 Budget. The 2005-06 Budget includes general fund revenues of approximately $92.0 billion along with general fund expenditures of approximately $90.0 billion. The 2005-06 Budget contemplates no additional borrowing or taxes.

The 2005-06 Budget fully funds cost-of-living ("COLA") adjustments of 4.23%, K-14 student growth, restores half of the general purposes revenue limit funding reductions reflected in prior State budgets and provides over $70 million for the repayment of prior-year mandated costs for school districts and community college district. With respect to K-12 education, the 2005-06 Budget increases total K-12 funding from all sources to $62.3 billion, representing the largest year-to-year increase in State history. Total funding per pupil increases by $380, from $9,945 in fiscal year 2004-05 to $10,325 in fiscal year 2005-06. Proposition 98 funding is estimated to be $7,402 per pupil in fiscal year 2005-06, an increase of $379 per pupil from fiscal year 2004-05.

Aspects of the 2005-06 Budget pertaining K-12 education include:

- *Enrollment Growth.* The 2005-06 Budget includes $193.6 million to fund enrollment growth increases for school apportionments, special education and other categorical programs. This amounts includes $4.4 million deferred to fiscal year 2006-07 and reflects the Governor's goal of preserving core K-12 services despite difficult fiscal times.

- *Cost of Living Adjustments*. The 2005-06 Budget provides over $1.7 billion to provide a 4.23 percent COLA increase to K-12 programs. Of this amount, $15.7 million is deferred to fiscal year 2006-07. The 4.23 percent calculation exceeds the expected growth of the consumer price index in California.

- *Revenue Limits*. The 2005-06 Budget provides a net increase of $1.6 billion to school district and county office of education revenue limits, which includes funding for enrollment growth, COLA adjustment and the repayment of $328 million or approximately half of the outstanding deficit factor owed as a result of reductions made in prior fiscal years.

Governor's Proposed 2006-07 State Budget. On January 10, 2006, the Governor released his proposed budget for fiscal year 2006-07 (the "Proposed 2006-07 Budget"). On January 12, 2006, the Legislative Analyst's Office released its Overview of the Governor's Budget (the "LAO Report"). The following information is adapted from the LAO Report.

The Proposed 2006-07 Budget provides for total state spending in 2006-07 of $123 billion (excluding expenditures of federal funds and bond funds). General Fund spending is projected to increase from $90.3 billion to $97.9 billion (an increase of 8.4 percent), while special funds spending falls slightly from $25.4 billion to $25 billion. The decline in special funds spending is due to one-time transfers and other factors. Tax receipts supporting the special funds are projected to grow moderately during the budget year.

The Proposed 2006-07 Budget includes roughly $2 billion in program augmentations and about $1.3 billion in new loan repayments beyond what is required by current law. The main increase involves Proposition 98 education, where the Governor is proposing to provide $2.2 billion more than the minimum guarantee over the current and budget year combined. These added funds are proposed for such purposes as school district equalization, payment of past mandates, and cost-of-living adjustments ("COLAs") foregone in past years. In addition, the budget provides $428 million in new spending for K-12 after school programs as required by Proposition 49.

The proposed Proposition 98 allocations for K-12 schools and community colleges show a total of $54.2 billion in 2006-07, an increase of $4.3 billion, or 8.7 percent, over the revised current-year estimate. Most of the increase in proposed Proposition 98 spending is supported by General Fund revenues ($4.1 billion). For 2004-05 and 2005-06, $1.3 billion in local property tax revenues were transferred annually from local governments to schools. In 2006-07 those transfers end, requiring the General Fund to backfill the loss. Strong local property tax growth (underlying local property tax revenues are projected to grow at 10.7 percent) allows property tax support for Proposition 98 to increase by $187 million despite the end of the local government transfer. In the current year, funding increases $25 per pupil to $7,427 because the Governor proposes roughly the same spending level as in the 2005-06 Budget Act but estimates 21,000 fewer students. Per pupil spending in 2006-07 is $8,030, an increase of $604 per pupil, or 8.1 percent, from the revised current-year level. For community colleges, funding grows to $4,859 per full-time equivalent student, an increase of $373, or 8.3 percent.

The Proposed 2006-07 Budget includes proposes $3.7 billion (8.4 percent increase) in new K-12 expenditures in 2006-07:

- *COLAs and Growth – $2.3 Billion*. The proposal fully funds both statutory and discretionary growth and COLAs. Specifically, the budget provides $2.3 billion for a 5.18 percent COLA-$1.7 billion for revenue limits (general purpose funds) and $594 million for categorical programs-and $143 million for a 0.21 percent attendance growth. Other base adjustments include a decrease of $136 million for unemployment insurance and Public Employees' Retirement System costs, and $33.3 million for other adjustments.

- *Proposition 49 (After School Programs) – $426 Million*. Proposition 49 requires that the State appropriate an additional $428 million for after school programs if state spending reaches a specified threshold, or "trigger." The spending level in the Governor's budget triggers the Proposition 49 spending. In addition to the $426 million in Proposition 98 funding, the budget proposes around $2 million to CDE for administration and evaluation.

- *Restoration of Foregone COLAs-$206 Million*. To balance the 2003-04 budget the State reduced or "deficited" revenue limits by not providing a COLA. Over the last two years, the State has been restoring those funds. The proposed $206 million in funding would restore most of the remainder, leaving approximately $100 million outstanding.

- *Revenue Limit Equalization – $200 Million*. The budget provides $200 million to reduce historical inequities in general purpose spending. According to the administration, these funds would be allocated using the current statutory equalization methodology.

- *State Mandates – $133 Million Ongoing and $152 Million One Time*. The budget provides $133 million to reimburse schools for a significant portion of the ongoing costs of mandates. In addition, the budget provides $152 million in one-time funding-$133 million from prior-year settle-up funds (as mentioned above) and $19 million from the Proposition 98 reversion account.

- *Other Proposals – $438 Million*. In addition, the Governor proposes additional funding for teacher recruitment, retention, and training in low performing schools ($165 million); school art grants ($100 million); physical education ($85 million); and $88 million for other proposals.

The LAO Report concludes that, although the Proposed 2006-07 Budget's more positive revenue assumptions appear reasonable in light of recent positive cash revenue trends, and some of the actions proposed-namely the prepayment of budgetary debt-make sense in light of the improved outlook, the budget should use the current unexpected revenue increases to reduce outstanding obligations rather than to increase spending.

Future Budgets. 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 could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during 2005-06 as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

LEGAL MATTERS

Tax Exemption

In the opinion of Best Best & Krieger, LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds received by the beneficial owners of the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). However, interest on the Bonds received by or allocated to a corporation will be included in adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

Bond Counsel is further of the opinion that the interest on the Bonds received by the owners of the Bonds is exempt from personal income taxes of the State under present State law.

In rendering such opinions, Bond Counsel has relied upon representations and covenants of the District in the Resolution and in a certificate delivered by the District concurrently with the issuance of the Bonds. Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants. Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date of issuance of the Bonds on the exclusion of interest on the Bonds from gross income for federal income tax purposes. No assurance can be given that any such legislation could not directly or indirectly reduce the benefit of the receipt of interest on the Bonds which is otherwise excluded from gross income for federal income tax purposes.

Bond Counsel has expressed no opinion regarding any effect of the ownership of, receipt of interest on, or disposition of the Bonds other than as expressly described above. Prospective purchasers of the Bonds should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest on, or disposition of the Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, the portion of the taxpayer's interest expense allocable to interest relating to the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest with respect to the Bonds; (iii) interest with respect to the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such a Subchapter S corporation is passive investment income; and (v) Section 86 of the Code requires recipients of certain social security and certain railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest with respect to the Bonds. The possible affect of any of these provisions, as well as the significance thereof, depends on the specific factual situation with respect to each particular owner of the Bonds.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, substantially in the form of Appendix A hereto, will be made available to purchasers at the time of original delivery of the Bonds and a copy of the opinion will be delivered with each Bond. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to advise the Owners of the Bonds as to matters related to the Official Statement.

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

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services are expected to assign ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that, upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be insured by the Bond Insurer. Standard & Poor's Ratings Services and Moody's Investors Service, Inc. have assigned underlying ratings of "A" and "A1," 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 Corporation, 55 Water Street, New York, New York 10041 and Moody's Investors Service, Inc., 99 Church Street, 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.

Underwriting

The Bonds are being purchased for reoffering by Stone & Youngberg, LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds for a purchase price of $65,819,483.65 (consisting of the principal amount of $65,000,000, plus a premium of $1,163,190.65 and less an Underwriter's discount of $343,707 (includes municipal bond insurance premium of $144,800.)) The Underwriter will purchase all of the Bonds.

Audited Financial Statements

The District's audited financial statements for Fiscal Year 2004-05, included in this Official Statement have been audited by Vavrinek, Trine, Day & Co., LLP, independent auditors, as stated in their report herein. Attention is called to the scope limitation described in the auditor's report accompanying the financial statements. Vavrinek, Trine, Day & Co., LLP has not undertaken to update the audited financial statements for Fiscal Year 2004-05 or its report, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to its report dated October 14, 2005. See Appendix B—"DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2005."

Financial Interests

In connection with the issuance of the Bonds, the fees being paid to Best Best & Krieger LLP, as Bond Counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, U.S. Bank National Association, as Paying Agent and Registrar and Fieldman, Rolapp & Associates, as Financial Advisor, 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 herein 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 6050 Industrial Avenue, Riverside, CA 92504. 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: /s/ Michael H. Fine
Deputy Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

(Date of Delivery)

Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Re: $65,000,000 Riverside Unified School District Election of 2001 General Obligation Bonds, Series B

Ladies and Gentlemen:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $65,000,000 Riverside Unified School District Election of 2001 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination, as bond counsel, of existing law, certified copies of such legal proceedings and such other 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 paragraph (3) of subdivision (b) of Section 1 of Article XIII A, subdivision (b) of Section 18 of Article XVI of the California Constitution, and Section 15266 of the Education Code of the State of California, a fifty-five percent vote of the qualified electors of the Riverside Unified School District (the "District") voting at an election held on November 6, 2001, Article 4.5 (commencing with Section 53506) 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 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.

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 and the Tax Certificate of the District relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the 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 and the previously mentioned Tax Certificate 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, 2005

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RIVERSIDE UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

RIVERSIDE UNIFIED SCHOOL DISTRICT

OF RIVERSIDE COUNTY

RIVERSIDE, CALIFORNIA

JUNE 30, 2005

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Maxine Frost	President	December 6, 2007
Michael Goldware	Vice President	December 1, 2005
Gayle Cloud	Clerk	December 6, 2007
Dana S. Kruckenberg	Member	December 1, 2005
Lewis J. Vanderzyl	Member	December 6, 2007

ADMINISTRATION

Susan J. Rainey	Superintendent
William Ermert, Ed.D.	Assistant Superintendent – Educational Alternatives and Services
Michael H. Fine	Deputy Superintendent – Business Services and Governmental Relations
Georgia Hill, Ph.D.	Deputy Superintendent – Educational Services K-12
Glenn King	Assistant Superintendent – Human Resources
Kirk Lewis, Ed.D.	Assistant Superintendent – Operations
Gladys Walker	Deputy Superintendent – Instructional Services
Jesse Stayton	Assistant Superintendent – Technology Services

RIVERSIDE UNIFIED SCHOOL DISTRICT

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RIVERSIDE UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Riverside Unified School District
Riverside, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverside Unified School District (the "District") as of and for the year ended June 30, 2005, 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 2004-05*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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 Riverside Unified School District, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, 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.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SAN JOSE

The required supplementary information, such as management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 52, 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co, LLP

Rancho Cucamonga, California
October 14, 2005

BOARD OF EDUCATION
MRS. MAXINE FROST
PRESIDENT
MR. MICHAEL GOLDWARE
VICE PRESIDENT
MRS. GAYLE CLOUD
CLERK
MRS. DANA KRUCKENBERG
MR. LEWIS VANDERZYL

Riverside Unified School District

NUTRITION SERVICES CENTER
6050 INDUSTRIAL AVENUE
RIVERSIDE, CALIFORNIA 92504
P.O. BOX 2800, RIVERSIDE, CALIFORNIA 92516
BUSINESS SERVICES & GOVERNMENTAL RELATIONS
(951) 352-6729
FAX: (951) 352-5817

SUSAN J. RAINEY, ED.D.
DISTRICT
SUPERINTENDENT

This section of Riverside Unified School District's 2004-05 annual financial report, presents our discussion and analysis of the Riverside Unified School District's financial performance during the fiscal years that ended on June 30, 2005 with comparative information from 2004. Please read it in conjunction with the Riverside Unified School District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

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

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

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities. This is a measure of the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District's activities are reported as Governmental Activities:

Governmental activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $242.2 million and $211.4 million for the fiscal years ended June 30, 2005 and 2004, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	2005 Governmental Activities	2004 Governmental Activities
ASSETS		
Current and other assets	$ 159.3	$ 141.4
Capital assets	274.1	235.1
Total Assets	**433.4**	**376.5**
LIABILITIES		
Current liabilities	25.8	34.1
Noncurrent portion of long-term debt obligations	165.4	131.1
Total Liabilities	**191.2**	**165.2**
NET ASSETS		
Invested in capital assets, net of related debt	110.9	98.4
Restricted	98.1	100.4
Unrestricted	33.2	12.6
Total Net Assets	**$ 242.2**	**$ 211.4**

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 12. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the current year. Table 2 includes a comparison to the previous year's operations.

Table 2

(Amounts in millions)	2005 Governmental Activities	2004 Governmental Activities
Revenues		
Program revenues:		
Charges for services	$ 0.7	$ 0.3
Operating and capital grants and contributions	86.4	89.6
General revenues:		
Federal and State aid	159.0	132.2
Property taxes	62.0	75.4
Other general revenues	35.7	16.3
Total Revenues	**343.8**	**313.8**
Expenses		
Instruction related	233.9	209.4
Student support services	30.2	26.5
Administration	9.4	8.8
Maintenance and operations	29.6	23.3
Other	9.9	13.5
Total Expenses	**313.0**	**281.5**
Change in Net Assets	**$ 30.8**	**$ 32.3**

Governmental Activities

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was $313 million. The amount that our taxpayers ultimately financed for these activities through local taxes was $62 million because the cost was paid by those who benefited from the programs ($.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($86.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $194.7 million in Federal and State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's five largest functions - instruction related, student support services, administration, maintenance and operations, and other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function. Table 3 includes a comparison to the prior year.

Table 3

(Amounts in millions)	2005 Total Net Cost of Services	2004 Total Net Cost of Services
Instruction related	$ 168.3	$ 139.5
Student support services	14.8	11.2
Administration	6.0	5.5
Maintenance and operations	27.0	22.0
Other activities	9.9	13.4
Totals	**$ 226.0**	**$ 191.6**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $123.5 million, which is an increase of $17.1 million from last year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 2005. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 52).

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had $274.1 million in a broad range of capital assets, including land, buildings, construction in progress and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $38.9 million, or 14 percent, over last year. The increase was due to completed and ongoing capital projects of various District sites.

Table 4

(Amounts in millions)	2005 Governmental Activities	2004 Governmental Activities
Land	$ 19.6	$ 16.5
Construction in progress	82.5	102.2
Buildings and improvements, net of accumulated depreciation	169.8	116.0
Equipment, net of accumulated depreciation	2.2	0.5
Totals	**$ 274.1**	**$ 235.2**

Long-Term Debt

The District has $53.6 million in general obligation bonds, $27.6 million in certificates of participation and $82 million of special tax bonds for Community Facilities Districts. A liability for unpaid accumulated vacation of $3.1 million and liability for workers' compensation/IBNR of $2.1 million is also included:

Table 5

(Amounts in millions)	2005 Governmental Activities	2004 Governmental Activities
General obligation bonds	$ 53.6	$ 57.0
Certificates of participation	27.6	28.8
Community facilities districts (1-9)	82.0	44.2
Accumulated vacation	3.1	3.3
Health and welfare and workers' compensation/IBNR	2.1	6.8
Totals	**$ 168.4**	**$ 140.1**

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-05 ARE NOTED BELOW:

The District has maintained its required reserve, in light of significant cuts in State funding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2005-06 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are the following:

1. Net increase in revenue limit income due to increased student enrollment and COLA (Cost of Living Adjustment) of 4.23 percent being used.
2. Categorical programs are fully budgeted and the budget is revised on a monthly basis to reflect changes in the grant or funding letters received.

The major changes to expenditures items specifically addressed in the budget are the following:

1. Employee step and column increase.
2. Staffing allocation for enrollment growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Michael H. Fine, Deputy Superintendent Business Services and Governmental Relations at Riverside Unified School District, 6050 Industrial Ave., Riverside, CA 92504.

RIVERSIDE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Deposits and investments	$ 132,797,108
Receivables	25,851,865
Stores inventory	632,275
Capital assets	
Land and construction in process	102,086,060
Other capital assets	256,671,320
Less: Accumulated depreciation	(84,662,728)
Total Capital Assets	274,094,652
Total Assets	433,375,900
LIABILITIES	
Accounts payable	14,796,655
Deferred revenue	1,251,531
Claims liability	6,764,468
Current portion of long-term obligations	2,970,000
Noncurrent portion of long-term obligations	165,443,235
Total Liabilities	191,225,889
NET ASSETS	
Invested in capital assets, net of related debt	110,909,652
Restricted for:	
Debt service	18,220,122
Capital projects	57,983,736
Other activities	11,009,121
Self-insurance	10,857,656
Unrestricted	33,169,724
Total Net Assets	$ 242,150,011

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$197,049,856	$ 320,274	$ 46,227,121	$ 5,879,464	$(144,622,997)
Instruction-related activities:					
Supervision of instruction	9,396,865	114,855	6,357,114	-	(2,924,896)
Instructional library, media, and technology	3,233,598	462	326,396	-	(2,906,740)
School site administration	24,306,045	11,156	6,345,963	-	(17,948,926)
Pupil services:					
Home-to-school transportation	6,723,107	156,978	4,678,258	-	(1,887,871)
Food services	12,629,671	8,424	8,212,977	-	(4,408,270)
All other pupil services	10,870,618	10,913	2,365,774	-	(8,493,931)
General administration:					
Data processing	3,215,052	-	-	-	(3,215,052)
All other general administration	6,240,451	31,490	3,432,117	-	(2,776,844)
Plant services	29,574,798	4,377	2,547,499	-	(27,022,922)
Ancillary services	2,256,992	46	-	-	(2,256,946)
Community services	92,934	-	127	-	(92,807)
Interest on long-term debt	4,455,334	-	-	-	(4,455,334)
Other outgo	2,986,829	10	14,029	-	(2,972,790)
Total Governmental Activities	$313,032,150	$ 658,985	$ 80,507,375	$ 5,879,464	(225,986,326)
General revenues and subventions:					
Property taxes, levied for general purposes					55,690,543
Property taxes, levied for debt service					6,037,109
Taxes levied for other specific purposes					324,079
Federal and State aid not restricted to specific purposes					159,010,082
Interest and investment earnings					1,620,890
Miscellaneous					34,097,445
Subtotal, General Revenues					256,780,148
Change in Net Assets					30,793,822
Net Assets - Beginning					211,356,189
Net Assets - Ending					$ 242,150,011

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 22,597,202	$ 20,269,728	$ 8,010,335
Receivables	21,757,781	752,471	380,397
Due from other funds	2,552,702	531,279	1,081,067
Stores inventory	348,890	-	-
Total Assets	$ 47,256,575	$ 21,553,478	$ 9,471,799
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	6,800,023	1,942,410	4,470,709
Due to other funds	3,212,357	460,294	2,715
Deferred revenue	1,229,621	-	-
Total Liabilities	11,242,001	2,402,704	4,473,424
FUND BALANCES			
Reserved for:			
Stores inventory	348,890	-	-
Other reservations	150,000	-	-
Unreserved:			
Designated	35,515,684	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	19,150,774	4,998,375
Total Fund Balances	36,014,574	19,150,774	4,998,375
Total Liabilities and Fund Balances	$ 47,256,575	$ 21,553,478	$ 9,471,799

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Fund
$ 6,691,003	$ 56,461,095	$ 114,029,363
60,423	2,620,036	25,571,108
437,797	2,253,137	6,855,982
-	283,385	632,275
$ 7,189,223	$ 61,617,653	$ 147,088,728
1,067,339	187,168	14,467,649
455,419	3,727,825	7,858,610
-	21,910	1,251,531
1,522,758	3,936,903	23,577,790
-	283,385	632,275
-	-	150,000
-	-	35,515,684
-	11,009,121	11,009,121
-	18,220,122	18,220,122
5,666,465	28,168,122	57,983,736
5,666,465	57,680,750	123,510,938
$ 7,189,223	$ 61,617,653	$ 147,088,728

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RIVERSIDE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balance - Governmental Funds		**$ 123,510,938**
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	$358,757,380	
Accumulated depreciation is	(84,662,728)	274,094,652
An internal service fund is used by the District's management to charge the costs of the workers' compensation and the property and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		10,857,656
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	53,590,000	
Community facilities districts	81,990,000	
Certificates of Participation payable	27,605,000	
Compensated absences (vacations)	3,128,235	(166,313,235)
Total Net Assets - Governmental Activities		**$ 242,150,011**

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Revenue limit sources	$ 198,291,684	$ -	$ -
Federal sources	25,084,895	-	-
Other State sources	61,776,191	-	-
Other local sources	4,896,885	4,392,561	4,004,899
Total Revenues	290,049,655	4,392,561	4,004,899
EXPENDITURES			
Current			
Instruction	188,974,908	-	-
Instruction related activities:			
Supervision of instruction	8,918,111	-	-
Instructional library, media, and technology	3,178,356	-	-
School site administration	22,458,580	-	-
Pupil services:			
Home-to school transportation	6,608,798	-	-
Food services	38,573	-	-
All other pupil services	10,503,026	-	-
General administration:			
Data processing	3,160,388	-	-
All other general administration	8,885,226	-	112,741
Plant services	27,201,911	-	-
Facility acquisition and construction	1,316,366	16,223,862	384,393
Ancillary services	2,256,992	-	-
Community services	92,934	-	-
Other outgo	443,369	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	18,206
Total Expenditures	284,037,538	16,223,862	515,340
Excess (Deficiency) of Revenues Over Expenditures	6,012,117	(11,831,301)	3,489,559
OTHER FINANCING SOURCES (USES)			
Transfers in	8,242	1,978,290	-
Other sources	-	-	-
Transfers out	(8,210,462)	(56,669)	(2,391,493)
Other uses	-	-	-
Net Financing Sources (Uses)	(8,202,220)	1,921,621	(2,391,493)
NET CHANGE IN FUND BALANCES	(2,190,103)	(9,909,680)	1,098,066
Fund Balance - Beginning	38,204,677	29,060,454	3,900,309
Fund Balance - Ending	$ 36,014,574	$ 19,150,774	$ 4,998,375

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 4,409,645	$ 202,701,329
-	8,199,587	33,284,482
5,704,939	3,593,010	71,074,140
214,060	17,365,312	30,873,717
5,918,999	33,567,554	337,933,668
-	4,735,254	193,710,162
-	324,502	9,242,613
-	267	3,178,623
-	1,459,009	23,917,589
-	-	6,608,798
-	12,590,431	12,629,004
-	185,926	10,688,952
-	-	3,160,388
-	1,629,885	10,627,852
-	1,902,388	29,104,299
7,541,038	18,381,872	43,847,531
-	-	2,256,992
-	-	92,934
-	-	443,369
-	5,705,000	5,705,000
-	6,852,224	6,870,430
7,541,038	53,766,758	362,084,536
(1,622,039)	(20,199,204)	(24,150,868)
94,508	9,733,957	11,814,997
-	44,777,304	44,777,304
(1,978,290)	(195,593)	(12,832,507)
-	(2,543,460)	(2,543,460)
(1,883,782)	51,772,208	41,216,334
(3,505,821)	31,573,004	17,065,466
9,172,286	26,107,746	106,445,472
$ 5,666,465	$ 57,680,750	$ 123,510,938

RIVERSIDE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Total Net Change in Fund Balances - Governmental Funds		**$ 17,065,466**
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 statements of activities.		
This is the amount by which additions to capital assets exceeds depreciation in the period.		
Capital outlays	$43,847,531	
Depreciation expense	(4,912,866)	38,934,665
In the statement of activities, certain operating expenses - compensated absences (vacations), provision for state school building reimbursements are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		157,558
Proceeds received from CFDs are a revenue in the governmental funds, but they increase long-term liabilities in the statement of net assets and do not affect the statement of activities.		(38,885,000)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:		
General obligation bonds		3,410,000
Community facilities districts		1,060,000
Certificates of participation		1,235,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors.		2,415,096
An internal service fund is used by the Districts management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		5,401,037
Change in Net Assets of Governmental Activities		**$ 30,793,822**

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 18,767,745
Receivables	280,757
Due from other funds	1,007,047
Total Assets	20,055,549
LIABILITIES	
Current Liabilities	
Accounts payable	329,006
Due to other funds	4,419
Claim liabilities	6,764,468
Total Current Liabilities	7,097,893
Noncurrent Liabilities	
Noncurrent portion of long-term obligations	2,100,000
Total Liabilities	9,197,893
NET ASSETS	
Unrestricted	10,857,656
Total Net Assets	$ 10,857,656

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 17,448,046
Total Operating Revenues	17,448,046
OPERATING EXPENSES	
Payroll costs	389,942
Professional and contract services	13,028,671
Supplies and materials	777
Total Operating Expenses	13,419,390
Operating Income	4,028,656
NONOPERATING REVENUES	
Interest income	354,871
Loss Before Operating Transfer	4,383,527
Operating transfer in	1,017,510
Change in Net Assets	5,401,037
Total Net Assets - Beginning	5,456,619
Total Net Assets - Ending	$ 10,857,656

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 24,188,560
Cash payments to employees for services	(389,942)
Cash payments for insurance premiums	(1,459,442)
Cash payments for insurance claims	(14,980,545)
Cash payments for other operating expenses	(777)
Net Cash Provided by Operating Activities	7,357,854
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	1,017,510
Net Cash Provided by Noncapital Financing Activities	1,017,510
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	354,871
Net Cash Provided from Investing Activities	354,871
Net increase in cash and cash equivalents	8,730,235
Cash and cash equivalents - Beginning	10,037,510
Cash and cash equivalents - Ending	$ 18,767,745
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED OPERATING ACTIVITIES:	
Operating income	$ 4,028,656
Adjustments to reconcile operating income net cash used by operating activities:	
Changes in assets and liabilities:	
Receivables	(249,738)
Due from other fund	3,822,162
Accounts payable	79,934
Due to other fund	(16,253)
Claims liabilities	(306,907)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,357,854

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Trust (Foundation)	Agency Funds
ASSETS		
Deposits and investments	$ 227,098	$ 1,183,418
Receivables	1,648	52,628
Inventory	-	63,386
Total Assets	$ 228,746	$ 1,299,432
LIABILITIES		
Accounts payable	-	6,287
Due to student groups	-	1,293,145
Total Liabilities	-	$ 1,299,432
NET ASSETS		
Unrestricted	228,746	
Total Net Assets	$ 228,746	

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Trust (Foundation)
ADDITIONS	
Private donations	$ 1,600
Interest	4,918
Total Additions	6,518
DEDUCTIONS	
Other expenditures	3,000
Total Deductions	3,000
Change in Net Assets	3,518
Net Assets - Beginning	225,228
Net Assets - Ending	$ 228,746

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Riverside Unified School District (the "District") was organized on July 1, 1963, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies.

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 Riverside 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 include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The District and the Community Facilities Districts (CFDs) have a financial and operational relationship that meets the reporting entity definition criteria of the GASB Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for including of the CFDs as component units of the District. Accordingly, the financial activities of the CFDs have been included in the financial statements of the District. The financial statements present the CFD's financial activity within the Combined Capital Projects CFDs and Combined Debt Service CFDs/COPs Funds. All debt instruments issued by the CFDs are included as long-term liabilities in the government-wide financial statements.

Individually prepared financial statements are not prepared for the CFDs.

Other Related Entities

Charter School The District has approved a Charter for Rehoboth Charter School pursuant to Education Code Section 47605. The Rehoboth Charter School is operated by Rehoboth Charter Academy, Inc. and not considered a component unit of the District. The District has approved a charter for the Riverside Gateway to College Early College High School. This Charter is not considered a component unit of the District.

Public Entity Risk Pools The District is associated with two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are the following:

Schools Excess Liability Fund (SELF)
Alliance of Schools for Cooperative Insurance Programs (ASCIP)

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.

Major Governmental Funds

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 governmental funds:

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Building Fund The Building Fund accounts for proceeds from bond issuances to be used for the acquisition, construction, or improvement of school facilities.

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fee assessed under provisions of the California Environmental Quality Act (CEQA).

County School Facilities Fund The County School Facilities Fund accounts for proceeds from State apportionments, to be used for the acquisition, construction, or improvement of school facilities.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food services operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

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

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

Combined Debt Service CFDs/COPs for Blended Component Units The Combined Debt Service CFDs/COPs for Blended Component Units is used to account for the interest and redemption of principal of Special Assessment Debt and Certificates of Participation.

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

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

Combined Capital Projects CFDs for Blended Component Units The Combined Capital Projects CFDs for Blended Component Units are used to account for the acquisition, construction, or improvement of major capital facilities from the proceeds of special tax assessments of property owners within an established Community Facility District (CFD).

State School Building Fund The State School Building Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

Special Reserve Capital Fund The Special Reserve Capital Fund is used to account for funds set aside for Board designated construction projects.

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 Funds:

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 in return for a fee to cover the cost of operations. The District operates a Workers' Compensation Fund and Property and Liabilities Fund that are accounted for in an Internal Service Fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. 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 Foundation Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 direct expenses and program revenues for each governmental program. 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 with the exception of depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

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

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

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

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. For the District, available means expected to be received within 90 days of fiscal year-end.

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.

Under the modified accrual basis, 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.

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.

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. Principal and interest on long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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, 2005, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the debt service funds represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Stores Inventory

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.

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 $10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for 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, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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.

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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

New Accounting Pronouncements

In November 2003, GASB issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year.

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

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

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	$ 132,797,108
Fiduciary funds	1,410,516
Total Deposits and Investments	$ 134,207,624

Deposits and investments as of June 30, 2005, consist of the following:

Cash on hand and in banks	$ 4,723,598
Cash in revolving	309,628
Investments	129,174,398
Total Deposits and Investments	$ 134,207,624

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investments and investment agreements with no restriction on the percentage held in each authorized investment in relation to the District's entire investment portfolio.

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 holding the majority of its investments in the Riverside County Investment Pool. The pool purchases shorter term investments and attempts to time 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 flows and liquidity needed for operations.

Specific Identification

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

Investment Type	Fair Value	Maturity Date
Money Market Mutual Funds	$ 30,417,497	7/1/2005
FHLB	3,176,820	5/15/2007
FNMA	4,987,038	5/15/2009
US Treasury Bill	112,946	7/1/2005
Crown Life Insurance Co.	268,500	10/31/2008
FGIC Capital Market	1,605,000	9/1/2028
County Pool	88,240,340	7/1/2005
Total	$ 128,808,141	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments of $88,240,340 in the County Pool are rated AAA. The remaining investment balance of $40,567,801 held by the District does not require an investment rating and were not rated as of June 30, 2005.

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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of $3,648,699 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in money market mutual funds, FHLB, FNMA, U.S. Treasury Bills, Crown Life Insurance Co., and FGIC Capital Market Guaranteed Investment Agreement of $40,567,801, the District has a custodial credit risk exposure of $40,567,801 because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	$ 3,249,317	$ -	$ -	$ -	$ 220,688	$ 3,470,005
State Government						
Apportionment	10,612,405	-	-	-	421,431	11,033,836
Categorical aid	1,758,015	-	-	-	215,005	1,973,020
Lottery	3,089,252	-	-	-	-	3,089,252
Other State	2,036,259	-	-	-	-	2,036,259
Local Government						
Interest	311,959	136,769	44,974	51,801	87,763	633,266
Other Local Sources	700,574	615,702	335,423	8,622	1,675,149	3,335,470
Total	$ 21,757,781	$ 752,471	$ 380,397	$ 60,423	$ 2,620,036	$ 25,571,108

	Proprietary Funds	Fiduciary Funds
Federal Government		
Categorical aid	$ -	$ -
State Government		
Apportionment	-	-
Categorical aid	-	-
Lottery	-	-
Other State	-	-
Local Government	-	-
Interest	132,302	1,648
Other Local Sources	148,455	52,628
Total	$ 280,757	$ 54,276

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 16,521,746	$ 3,064,583	$ -	$ 19,586,329
Construction in progress	102,226,135	40,355,476	60,081,880	82,499,731
Total Capital Assets Not Being Depreciated	118,747,881	43,420,059	60,081,880	102,086,060
Capital Assets being depreciated				
Buildings and improvements	190,371,574	58,578,619	-	248,950,193
Furniture and equipment	5,790,394	1,930,733	-	7,721,127
Total Capital Assets Being Depreciated	196,161,968	60,509,352	-	256,671,320
Less Accumulated Depreciation				
Buildings and improvements	74,405,592	4,728,684	-	79,134,276
Furniture and equipment	5,344,270	184,182	-	5,528,452
Total Accumulated Depreciation	79,749,862	4,912,866	-	84,662,728
Governmental Activities Capital Assets, Net	$235,159,987	$99,016,545	$60,081,880	$274,094,652

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

Governmental Activities	
Instruction	$ 3,339,694
Supervision of instruction	154,252
Instructional library, media, and technology	54,975
School site administration	388,456
Home-to-school transportation	114,309
Food services	667
All other pupil services	181,666
Data processing	54,664
All other general administration	153,684
Plant services	470,499
Total Depreciation Expenses Governmental Activities	$ 4,912,866

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts allocated between funds for various purposes. Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds and internal service funds are as follows:

	Due From						
Due To	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Proprietary Funds	Total
General Fund	$ -	$ -	$ -	$ -	$ 2,548,283	$ 4,419	$2,552,702
Building Fund	-	-	2,715	455,419	73,145	-	531,279
Capital Facilities Fund	-	-	-	-	1,081,067	-	1,081,067
County School Facilities Fund	-	437,797	-	-	-	-	437,797
Non-Major Governmental Funds	2,205,310	22,497	-	-	25,330	-	2,253,137
Proprietary funds	1,007,047	-	-	-	-	-	1,007,047
Total	$3,212,357	$460,294	$ 2,715	$455,419	$ 3,727,825	$ 4,419	$7,863,029

Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

	Transfer From					
Transfer To	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ -	$ -	$ 8,242	$ 8,242
Building Fund	-	-	-	1,978,290	-	1,978,290
County School Facilities Fund	-	56,669	-	-	37,839	94,508
Non-Major Governmental Funds	7,192,952	-	2,391,493	-	149,512	9,733,957
Internal Service Funds	1,017,510	-	-	-	-	1,017,510
Total	$8,210,462	$ 56,669	$ 2,391,493	$1,978,290	$ 195,593	$12,832,507

The General Fund transferred to the Deferred Maintenance Fund.	$ 2,177,422
The General Fund transferred to the Special Reserve Capital Projects Fund.	5,014,387
The General Fund transferred to the Internal Service Fund.	1,017,510
The General Fund transferred to the Debt Service Fund.	1,143
The County School Facilities Fund transferred to the Building Fund.	1,978,290
The Building Fund transferred to the County School Facilities Fund.	56,669
The State School Building Fund transferred to the County School Facilities Fund.	25,000
The Special Reserve Capital Projects Fund transferred to the County School Facilities Fund.	12,839
The Cafeteria Fund transferred to the Debt Service Fund.	149,512
The Capital Facilities Fund transferred to the Debt Service Fund.	2,391,493
The State School Building Fund transferred to the General Fund.	8,242
Total	$12,832,507

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	$3,902,556	$ -	$ -	$ -	$ 44,467	$ 3,947,023
State apportionment	1,810,973	-	-	-	-	1,810,973
Salaries and benefits	241,986	-	-	-	11,088	253,074
Other State payables	844,508	-	-	-	-	844,508
Capital outlay	-	1,942,410	4,470,709	1,067,339	131,613	7,612,071
Total	$6,800,023	$1,942,410	$4,470,709	$ 1,067,339	$ 187,168	$14,467,649

	Proprietary Funds	Fiduciary Funds
Vendor payables	$ 329,006	$ 6,287
State apportionment	-	-
Salaries and benefits	-	-
Other State payables	-	-
Capital outlay	-	-
Total	$ 329,006	$ 6,287

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 611,541	$ -	$ 611,541
State categorical aid	533,375	21,910	555,285
Other local	84,705	-	84,705
Total	$ 1,229,621	$ 21,910	$ 1,251,531

NOTE 8 – LONG-TERM LIABILITIES

Long-Term Debt Summary

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General Obligation Bonds (Series A)	$ 57,000,000	$ -	$ 3,410,000	$ 53,590,000	$ 500,000
Community Facilities Districts	44,165,000	38,885,000	1,060,000	81,990,000	1,190,000
1998 Certificates of Participation	14,855,000	-	290,000	14,565,000	300,000
2001 Certificates of Participation (Series A)	13,985,000	-	945,000	13,040,000	980,000
Accumulated Vacation - Net	3,285,793	-	157,558	3,128,235	-
Workers' Compensation/IBNR	6,778,185	-	4,678,185	2,100,000	-
	$ 140,068,978	$38,885,000	$10,540,743	$168,413,235	$2,970,000

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Redeemed	Bonds Outstanding June 30, 2005
February 27, 2002	February 1, 2027	2.1% - 4.75 %	$60,000,000	$ 57,000,000	$ 3,410,000	$ 53,590,000

The bonds mature through February 1, 2024, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	$ 500,000	$ 2,595,876	$ 3,095,876
2007	700,000	2,580,876	3,280,876
2008	655,000	2,559,876	3,214,876
2009	920,000	2,538,588	3,458,588
2010	1,300,000	2,506,388	3,806,388
2011-2015	11,640,000	11,454,380	23,094,380
2016-2020	8,710,000	8,848,388	17,558,388
2021-2025	19,585,000	5,663,576	25,248,576
2026-2027	9,580,000	721,000	10,301,000
Total	$ 53,590,000	$ 39,468,948	$ 93,058,948

Community Facilities Districts

Assessment Bonds	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year	CFD No.
1993 Assessment Bonds	$ 745,000	$ 565,000	$ -	$ 25,000	$ 540,000	3
1995 Refunding Bonds	2,685,000	1,290,000	-	225,000	1,065,000	1
1995 Assessment Bonds	865,000	720,000	-	25,000	695,000	4
1999 Refunding Bonds	9,375,000	8,060,000	-	385,000	7,675,000	2
1999 Assessment Bonds	2,185,000	2,075,000	-	35,000	2,040,000	6 (Area 1)
1999 Assessment Bonds	875,000	820,000	-	15,000	805,000	8
2000 Assessment Bonds	10,740,000	10,635,000	-	80,000	10,555,000	7
2001 Assessment Bonds	2,470,000	2,400,000	-	40,000	2,360,000	6 (Area 2)
2001 Assessment Bonds (Series A)	4,430,000	4,300,000	-	70,000	4,230,000	9 (Area 1, 3, 5)
2001 Assessment Bonds (Series B)	2,790,000	2,710,000	-	50,000	2,660,000	9 (Area 4)
2002 Subordinate Lien	8,155,000	8,105,000	-	65,000	8,040,000	7
2001 Assessment Bonds (Series C)	2,485,000	2,485,000	-	45,000	2,440,000	9 (Area 2)
2004 Assessment Bonds	1,955,000	-	1,955,000	-	1,955,000	7 (Series A)
2005 Assessment Bonds	1,510,000	-	1,510,000	-	1,510,000	10 (Series A)
2004 Assessment Bonds	2,000,000	-	2,000,000	-	2,000,000	11 (Series A)
2004 Assessment Bonds	5,095,000	-	5,095,000	-	5,095,000	12 (Series A)
2005 Assessment Bonds	6,560,000	-	6,560,000	-	6,560,000	14 (Series A)
2004 Assessment Bonds	18,675,000	-	18,675,000	-	18,675,000	15 (Series A)
2005 Assessment Bonds	3,090,000	-	3,090,000	-	3,090,000	18
		$ 44,165,000	$ 38,885,000	$ 1,060,000	$ 81,990,000	

Annual interest and redemption requirements for the CFDs outstanding at June 30, 2005, are as follows:

Year Ending June 30,	Principal Redemption	Interest	Total
2006	$ 1,190,000	$ 3,809,849	$ 4,999,849
2007	1,835,000	4,466,316	6,301,316
2008	1,960,000	4,389,187	6,349,187
2009	2,070,000	4,308,002	6,378,002
2010	1,910,000	4,222,685	6,132,685
2011-2015	11,335,000	19,686,269	31,021,269
2016-2020	13,865,000	16,639,309	30,504,309
2021-2025	14,125,000	12,723,171	26,848,171
2026-2030	18,895,000	8,135,939	27,030,939
2031-2035	14,390,000	2,860,291	17,250,291
2036	415,000	22,617	437,617
Total	$ 81,990,000	$ 81,263,635	$ 163,253,635

1993 Special Tax Assessment Bonds

Principal payments of the CFD No. 3 Series 1993 bonds began in 1994 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $540,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 3.90 percent and 6.35 percent.

1995 Special Tax Refunding Bonds

Principal payments on the 1995 Special Tax Refunding Bonds began in 1997 and are to be made semi-annually thereafter, and interest payments are to be made semi-annually. Outstanding bonds at June 30, 2005, were $1,065,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds are fixed at 6.10 percent.

1995 Special Tax Assessment Bonds

Principal payments of the CFD No. 4 Series 1995 bonds began in 1997 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $695,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 5.0 percent and 7.1 percent.

1999 Special Tax Refunding Bonds

Principal payments of the CFD No. 2 Series 1999 bonds began in 2001 and are to be made annually thereafter, and semi-annual interest payments begin in 2000. Outstanding principal at June 30, 2005, was $7,675,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 3.8 percent and 5.0 percent.

1999 Special Tax Assessment Bonds

Principal payments of the CFD No. 6 Series 1999 bonds begin in 2000 and are to be made annually thereafter, and semi-annual interest payments also begin in 2000. Outstanding principal at June 30, 2005, was $2,040,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 4.20 percent and 5.90 percent.

1999 Special Tax Assessment Bonds

Principal payments of the CFD No. 8 Series 1999 bonds begin in 2000 and are to be made annually thereafter, and semi-annual interest payments also begin in 2000. Outstanding principal at June 30, 2005, was $805,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 4.25 percent and 6.05 percent.

2000 Special Tax Assessment Bonds

Principal payments of the CFD No. 7 Series A 2000 bonds begin in 2003 and are to be made annually thereafter, and semi-annual interest payments also begin in 2001. Outstanding principal at June 30, 2005, was $10,555,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 3.40 percent and 5.90 percent.

2001 Special Tax Assessment Bonds

Principal payments of the CFD No. 6 Area 2 2001 bonds begin in 2003 and are to be made annually thereafter, and semi-annual interest payments also begin in 2001. Outstanding principal at June 30, 2005, was $2,360,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 4.80 percent and 6.30 percent.

2001 Special Tax Assessment Bonds (Series A)

Principal payments of the CFD No. 9 Series A 2001 bonds begin in 2003 and are to be made annually thereafter, and semi-annual interest payments also begin in 2001. Outstanding principal at June 30, 2005, was $4,230,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 4.00 percent and 5.60 percent.

2001 Special Tax Assessment Bonds (Series B)

Principal payments of the CFD No. 9 Series B 2001 bonds begin in 2003 and are to be made annually thereafter, and semi-annual interest payments also begin in 2001. Outstanding principal at June 30, 2005, was $2,660,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.85 percent and 5.50 percent.

2002 Subordinate Lien

Principal payments of the CFD No. 7 Subordinate Lien bonds begin in 2003 and are to be made annually thereafter, and semi-annual interest payments also begin in 2001. Outstanding principal at June 30, 2005, was $8,040,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.40 percent and 5.30 percent.

2002 Special Tax Assessment Bonds (Series C)

Principal payments of the CFD No. 9 Series C 2002 Special Tax Assessment Bonds begin in 2004 and are to be made annually thereafter, and semi-annual interest payments also begin in 2004. Outstanding principal at June 30, 2005, was $2,440,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.40 percent and 5.30 percent.

2004 Special Tax Assessment Bonds

Principal payments of the CFD No. 7 Series A 2004 bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $ 1,955,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.60 percent and 5.10 percent.

2005 Special Tax Assessment Bonds

Principal payments of the CFD No. 10 Series A 2005 bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $ 1,510,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.50 percent and 5.10 percent.

2004 Special Tax Assessment Bonds

Principal payments of the CFD No. 11 Series A 2004 bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $2,000,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.50 percent and 5.10 percent.

2004 Special Tax Assessment Bonds

Principal payments of the CFD No. 12 Series A 2004 bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $ 5,095,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.40 percent and 5.25 percent.

2005 Special Tax Assessment Bonds

Principal payments of the CFD No. 14 Series A 2005 bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $ 6,560,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.80 percent and 5.20 percent.

2004 Special Tax Assessment Bonds

Principal payments of the CFD No. 15 Series A 2004 bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $ 18,675,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.60 percent and 5.15 percent.

2005 Special Tax Assessment Bonds

Principal payments of the CFD No. 18 Special Tax Bonds began in 2005 and are to be made annually thereafter, and interest payments are made semi-annually. Outstanding principal at June 30, 2005, was $ 3,090,000. The amount to be used for bond retirement is funded from future special tax levies and mandatory sinking fund payments. Interest rate yields on the bonds range between 2.90 percent and 4.80 percent.

Certificates of Participation

1998 Refunding Certificates of Participation

Outstanding certificates at June 30, 2005, were $14,565,000. The amount to be used for certificate retirement is funded solely from sinking fund payments consisting of lease payments received from the District. Interest rate yields on the certificates are fixed at 3.85 percent.

Annual interest and redemption requirements for the 1998 Refunding Certificates of Participation outstanding at June 30, 2005, are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	$ 300,000	$ 554,977	$ 854,977
2007	315,000	543,139	858,139
2008	340,000	530,531	870,531
2009	355,000	517,152	872,152
2010	380,000	503,003	883,003
2011-2015	2,270,000	2,270,540	4,540,540
2016-2020	3,060,000	1,760,413	4,820,413
2021-2025	4,030,000	1,079,541	5,109,541
2026-2028	3,515,000	228,016	3,743,016
Total	$ 14,565,000	$ 7,987,312	$ 22,552,312

2001 Refunding Certificates of Participation (Series A)

Outstanding certificates at June 30, 2005, were $13,040,000. The amount to be used for certificate retirement is funded solely from sinking fund payments consisting of lease payments received from the District. Interest rate yields on the certificates range between 3.00 percent and 5.00 percent.

Annual interest and redemption requirements for the 2001 Refunding Certificates of Participation outstanding at June 30, 2005, are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	$ 980,000	$ 539,845	$ 1,519,845
2007	1,010,000	508,120	1,518,120
2008	1,040,000	472,468	1,512,468
2009	1,085,000	431,528	1,516,528
2010	1,120,000	387,428	1,507,428
2011-2015	3,390,000	1,360,667	4,750,667
2016-2020	1,885,000	860,719	2,745,719
2021-2025	1,720,000	426,250	2,146,250
2026-2027	810,000	41,000	851,000
Total	$ 13,040,000	$ 5,028,025	$ 18,068,025

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2005, amounted to $3,128,235.

Workers' Compensation/IBNR

The Workers' Compensation IBNR estimated amount for self-insured workers' compensation incurred, but not reported claims is $2,100,000 at June 30, 2005.

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
Reserved				
Revolving cash	$ 150,000	$ -	$ -	$ -
Stores inventory	348,890	-	-	-
Total Reserved	498,890	-	-	-
Unreserved				
Designated				
Economic uncertainties	5,712,832	-	-	-
Other designation	29,802,852	-	-	-
Total Designated	35,515,684	-	-	-
Undesignated	-	19,150,774	4,998,375	5,666,465
Total Unreserved	35,515,684	19,150,774	4,998,375	5,666,465
Total	$36,014,574	$19,150,774	$ 4,998,375	$ 5,666,465

	Non-Major Governmental Funds	Total	Fiduciary Funds
Reserved			
Revolving cash	$ -	$ 150,000	$ -
Stores inventory	283,385	632,275	-
Total Reserved	283,385	782,275	-
Unreserved			
Designated			
Economic uncertainties	-	5,712,832	-
Other designation	-	29,802,852	-
Total Designated	-	35,515,684	-
Undesignated	57,397,365	87,212,979	228,746
Total Unreserved	57,397,365	122,728,663	228,746
Total	$ 57,680,750	$ 123,510,938	$ 228,746

NOTE 10 – POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Currently, 216 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents and retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees report claims premiums are paid. During the year, expenditures of $478,909 were recognized for retirees' health care benefits.

NOTE 11 – RISK MANAGEMENT - CLAIMS

Description

The District's risk management activities are recorded in the Self-Insurance Funds. Employee life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance. The District participates in the SELF public entity risk pool JPA for the workers' compensation programs and purchases excess liability coverage through the JPA. The uninsured amount is administered in the District's workers' compensation self-insurance. Refer to Note 14 for additional information regarding the JPA. The Property and Liability Program, for which the District retains risk of loss, is administered by the Self-Insurance Fund. Excess property and liability coverage is obtained through ASCIP. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' compensation claims in excess of a $500,000 self-insured retention are covered up to $10,000,000 per occurrence. General liability claims in excess of a $100,000 self-insured retention are covered up to $15,000,000 per occurrence.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2003 to June 30, 2005:

	Health Insurance	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2003	$ -	$ 4,815,568	$ 150,000
Claims and changes in estimates	12,679,752	6,999,105	647,330
Claims payments	(10,563,530)	(4,856,520)	(700,330)
Liability Balance, June 30, 2004	2,116,222	6,958,153	97,000
Claims and changes in estimates	10,336,852	3,237,196	1,099,590
Claims payments	(9,931,045)	(4,052,910)	(996,590)
Liability Balance, June 30, 2005	$ 2,522,029	$ 6,142,439	$ 200,000
Assets available to pay claims at June 30, 2005	$ 5,706,002	$ 13,897,054	$ 452,493

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

STRS

Plan Description

The District contributes to the California State 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 Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent 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, 2005, 2004, and 2003, were $12,066,209, $11,270,869, and $11,184,601, respectively, and equal 100 percent of the required contributions for each year.

PERS

Plan Description

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

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 2004-2005 was 9.952 percent 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, 2005, 2004, and 2003, were $4,092,870, $4,021,782, and $-0-, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

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 $6,606,413 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2005. 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.

NOTE 13 – 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, 2005.

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, 2005.

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Bryant Multi-Purpose Room	$ 1,427,583	04/02/07
Liberty Multi-Purpose Room	795,164	04/02/07
Longfellow Multi-Purpose Room	1,503,886	04/02/07
Playground Projects	863,932	01/31/06
University Modernization	1,213,006	11/15/05
Castle View Modernization	1,075,367	11/15/05
Magnolia Modernization	767,914	11/15/05
Washington Modernization	1,561,904	12/30/05
Adams Modernization	887,368	12/06/06
Alcott Modernization	1,135,252	01/24/06
Central Modernization	1,595,845	03/02/07
Chemawa Modernization	1,710,963	03/02/07
Emerson Modernization	720,629	11/23/05
Highgrove Modernization	549,705	11/23/05
Highland Modernization	1,318,959	02/02/07
Liberty Modernization	1,585,445	02/15/08
Madison Modernization	674,082	11/23/05
Mt View Modernization	392,946	12/06/06
Ramona Modernization	3,313,564	02/15/08
Sierra Modernization	861,222	02/02/07
Victoria Modernization	194,764	12/06/06
Central Registration Center	224,999	05/15/06
Hawthorne Elementary	17,406,473	08/29/07
Mark Twain Elementary	14,390,913	11/30/06
Total	$ 56,171,885	

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the Schools Excess Liability Fund (SELF) joint powers authority (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2005, the District made payments of $690,657 and $768,785 to ASCIP and SELF, respectively.

NOTE 15 – CHARTER SCHOOLS

The District has granted and approved a charter schools pursuant to Education Code Section 47605. The Rchoboth Charter Academy was granted and approved on August 20, 2001, for a term of five years commencing October 2002.

The District granted a charter to Riverside Gateway and to College Early High School on February 17, 2004. The charter schools are required, in their individual charter agreements, to have an annual financial audit performed. As of October 14, 2005, the District has not received a copy of the audit reports.

NOTE 16 – SUBSEQUENT EVENT

On July 27, 2005, the District issued $2,910,000 of 2005 Special Tax Bonds for Community Facilities District (CFD) No. 17, (Aldea Village). The proceeds from the Bonds will be used to finance certain capital projects within CFD No. 17. The Bonds will be paid through special taxes to be levied on property within CFD No. 17.

REQUIRED SUPPLEMENTARY INFORMATION

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RIVERSIDE UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 199,542,472	$ 198,273,353	$ 198,291,684	$ 18,331
Federal sources	20,561,796	29,016,012	25,084,895	(3,931,117)
Other State sources	49,005,542	56,096,546	61,776,191	5,679,645
Other local sources	2,163,725	4,990,591	4,896,885	(93,706)
Total Revenues [1]	271,273,535	288,376,502	290,049,655	1,673,153
EXPENDITURES				
Current				
Instruction	171,789,824	188,223,906	188,974,908	(751,002)
Instruction-related activities:				
Supervision of instruction	8,021,818	9,424,178	8,918,111	506,067
Instructional library, media, and technology	4,171,271	4,071,599	3,178,356	893,243
School site administration	22,196,512	22,329,026	22,458,580	(129,554)
Pupil services:				
Home-to-school transportation	6,222,507	5,772,987	6,608,798	(835,811)
Food services	33,681	50,056	38,573	11,483
All other pupil services	10,127,894	12,061,306	10,503,026	1,558,280
General administration:				
Data processing	3,504,997	4,270,760	3,160,388	1,110,372
All other general administration	8,796,679	9,282,340	8,885,226	397,114
Plant services	26,892,611	27,380,998	27,201,911	179,087
Facility acquisition and construction	852,258	2,043,857	1,316,366	727,491
Ancillary services	2,210,075	2,004,006	2,256,992	(252,986)
Community services	137,227	280,665	92,934	187,731
Other outgo	-	424,181	443,369	(19,188)
Enterprise services	-	123	-	123
Total Expenditures [1]	264,957,354	287,619,988	284,037,538	3,582,450
Excess of Revenues Over Expenditures	6,316,181	756,514	6,012,117	5,255,603
Other Financing Uses				
Transfers in	900,000	8,242	8,242	-
Transfers out	(951,914)	(8,235,462)	(8,210,462)	25,000
Total Financing Uses	(51,914)	(8,227,220)	(8,202,220)	25,000
NET CHANGE IN FUND BALANCES	6,264,267	(7,470,706)	(2,190,103)	5,280,603
Fund Balance - Beginning	38,204,677	38,204,677	38,204,677	-
Fund Balance - Ending	$ 44,468,944	$ 30,733,971	$ 36,014,574	$ 5,280,603

[1] Actual revenues and expenditures included an adjustment for on-behalf payments in the amount of $6,606,413. By not including the adjustment, actual revenues would be $283,443,241. Actual expenditures would be $277,731,125, which does not exceed the budgeted expenditures.

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SUPPLEMENTARY INFORMATION

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RIVERSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Adult Education:			
Priority 1-3, Adult Basic Education	84.002A	14508	$ 252,498
Priority 5, Adult Secondary Education	84.002A	03978	37,272
Adult Education - Institutionalized Adults	84.002A	03971	75,666
English Literacy & Civics Education	84.002A	04109	18,298
After School Learning Centers	84.287B	[2]	687,727
No Child Left Behind:			
Title I - Part A [1]	84.010	04329	10,178,518
Title I - Even Start	84.213	14331	196,015
Title I - Achieving Schools	84.010A	14429	49,140
Title II - Part A, Improving Teacher Quality	84.367	04341	2,609,148
Title II - Part D, Technology	84.318	14334	246,766
Title III - Immigrant Education Program	84.365	04346	176,265
Title III - Limited English Proficiency	84.365	00084	525,776
Title IV - Part B 21st Century Community Learning Centers	84.287	14349	407,265
Title IV - Part A, Drug-Free Schools	84.186	04347	288,225
Emergency Response Plans for School Safety Initiative	84.184E	[2]	148,906
Title V - Part A, Innovative Education Strategies	84.298A	04354	271,248
Title X - McKinney-Vento Homeless Assistance Grant	84.196A	14332	121,255
IDEA:			
Local Assistance	84.027	13379	6,220,520
Local Staff Development	84.027A	13613	17,410
Low Incidence	84.027	24464	12,835
Preschool Grant Part B	84.173	03430	209,898
Preschool Local Entitlement	84.027	03682	331,550
Preschool Staff Development	84.173A	13431	1,860
Workability	84.027	06721	330,098
Early Intervention	84.181	23761	134,487
Vocational Programs:			
Vocational & Applied Technology Secondary II C, Sec 131	84.048	13924	309,672
Postsecondary and Adult II C, Sec 132 (Carl Perkins Act)	84.048	13923	151,879
Subtotal			24,010,197

[1] Tested as a major program.
[2] Pass-through entity identifying number not available.

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF DEFENSE			
ROTC	12.000	[2]	$ 248,798
U.S. DEPARTMENT OF AGRICULTURE			
National School Lunch Program	10.555	03755	6,296,567
Especially Needy Breakfast Program	10.553	03526	1,182,563
Basic Breakfast Program	10.553	03390	64,237
Meal Supplement	10.555	[2]	110,647
Fair Market Value of Commodities	10.665	10044	567,551
Subtotal			8,221,565
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal	93.778	10013	107,937
Child Development Quality Improvement Activities	93.575	00326	3,759
Head Start - Basic	93.600	00016	856,397
Subtotal			968,093
Total Federal Programs			$ 33,448,653

[1] Tested as a major program.
[2] Pass-through entity identifying number not available.

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SUMMARY OF THE OFFICE OF CRIMINAL JUSTICE PLANNING GRANTS FOR THE YEAR ENDED JUNE 30, 2005

	Riverside Against Drugs Grant No. DS 04011277 07/01/04 06/30/05
REVENUES	$ 46,000
EXPENDITURES	
Personal services	10,849
Operating expenses	35,151
Total	$ 46,000

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SUMMARY OF THE PROPOSITION 10 GRANT
FOR THE YEAR ENDED JUNE 30, 2005

	Parents as Teachers
	Award #04-9285
	07/01/04
	06/30/05
REVENUES	$ 462,855
EXPENDITURES	
Personal services	388,526
Operating expenses	74,329
Total	$ 462,855

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2005

	Second Period Report (Amended)	Annual Report (Amended)
ELEMENTARY		
Kindergarten	2,639	2,659
First through third	8,678	8,679
Fourth through sixth	8,780	8,787
Seventh and eighth	6,139	6,195
Opportunity schools	58	61
Home and hospital	6	8
Special education	1,042	1,048
Total Elementary	27,342	27,437
SECONDARY		
Regular classes	11,527	11,295
Continuation education	429	423
Opportunity schools	32	32
Home and hospital	3	4
Special education	746	734
Total Secondary	12,737	12,488
Total K-12	40,079	39,925
CLASSES FOR ADULTS		
Concurrently enrolled	61	65
Not concurrently enrolled	2,033	1,983
Total Classes for Adults	2,094	2,048
Grand Total	42,173	41,973

	Hours of Attendance
SUMMER SCHOOL	
Elementary	389,745
High School	420,302
Total Hours	810,047

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2005

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2004-05 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,480	36,000	36,072	180	175	Complied
Grades 1 - 3	49,080	50,400	51,407	180	175	Complied
Grades 4 - 6	49,080	54,000	54,180	180	175	Complied
Grades 7 - 8	49,080	54,000	57,945	180	175	Complied
Grades 9 - 12	60,555	64,800	64,800	180	175	Complied

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Cafeteria Fund	Debt Service Fund	Building Fund
FUND BALANCE			
Balance, June 30, 2005, Unaudited Actuals	$ 2,991,036	$ 2,105,516	$ 19,415,373
Increase in:			
Cash in bank	2,408,276	-	-
Revolving cash	9,628	-	-
Investments	-	-	-
Cash collections awaiting deposit	517,312	-	-
Accounts receivable	1,625,848	-	-
Stores inventory	283,385	-	-
Accounts payable	(119,814)	-	(264,599)
Due to other funds	(2,177,194)	-	-
Claims liability	-	-	-
Decrease in:			
Investments	(2,404,647)	(15,834)	-
Due from other funds	(433,426)	-	-
Balance, June 30, 2005, Audited Financial Statement	$ 2,700,404	$ 2,089,682	$ 19,150,774

	Capital Facilities Fund	County School Facilities Fund	Self-Insurance Fund
FUND BALANCE			
Balance, June 30, 2005, Unaudited Actuals	$ 4,977,365	$ 5,826,388	$ 11,229,024
Increase in:			
Cash in bank	-	-	-
Revolving cash	-	-	-
Investments	21,010	-	-
Cash collections awaiting deposit	-	-	-
Accounts receivable	-	-	-
Stores inventory	-	-	-
Accounts payable	-	(159,923)	-
Due to other funds	-	-	-
Claims liability	-	-	(371,368)
Decrease in:			
Investments	-	-	-
Due from other funds	-	-	-
Balance, June 30, 2005, Audited Financial Statement	$ 4,998,375	$ 5,666,465	$ 10,857,656

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 [1]	2005	2004	2003
GENERAL FUND				
Revenues	$ 287,207,727	$ 290,049,655	$ 264,782,786	$ 270,109,533
Other sources and transfers in	1,000,000	8,242	1,179,102	-
Total Revenues and Other Sources	288,207,727	290,057,897	265,961,889	270,109,533
Expenditures	288,246,317	284,037,538	255,805,958	255,747,689
Other uses and transfers out	3,770,302	8,210,462	9,153,458	2,570,522
Total Expenditures and Other Uses	292,016,619	292,248,000	264,959,416	258,318,211
INCREASE (DECREASE) IN FUND BALANCE	$ (3,808,892)	$ (2,190,103)	$ 1,002,473	$ 11,791,322
ENDING FUND BALANCE	$ 32,205,682	$ 36,014,574	$ 38,204,677	$ 37,202,204
AVAILABLE RESERVES [2, 3]	$ 5,840,333	$ 5,712,832	$ 6,756,655	$ 12,901,779
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.00%	2.00%	2.55%	4.99%
LONG-TERM DEBT	N/A	$ 168,413,235	$ 140,068,978	$ 145,682,402
K-12 AVERAGE DAILY ATTENDANCE AT P-2	40,501	40,079	39,547	38,841

The General Fund balance has decreased by $1,187,630 over the past two years. The fiscal year 2005-2006 budget projects a further decrease of $3,808,892 (10.5 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2005-2006 fiscal year. Total long-term debt has increased by $22,730,833 over the past two years.

Average daily attendance has increased by 1,238 over the past two years. Additional growth of 422 ADA is anticipated during fiscal year 2005-2006.

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1 Budget 2006 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

3 On-behalf payments of $6,606,413 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2005.

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2005

Name of Charter School	Included in Audit Report
Rehoboth Charter Academy	No
Riverside Gateway to College Early College High School	No

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of the Office of Criminal Justice Planning Grants

The Office of Criminal Justice Planning's Grantee Handbook requires that expenditures by category information be presented in the fiscal year reports. This schedule was prepared to comply with this requirement.

Summary of Proposition 10 Grant

The Schedule provides information to the Riverside County Children and Families Commission for the District's Proposition 10 Grant.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2005

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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SUPPLEMENTARY INFORMATION - UNAUDITED

RIVERSIDE UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2005

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund
ASSETS					
Deposits and investments	$ 1,598,180	$ 115,042	$ 3,021,605	$ 6,220,204	$ 3,682,537
Receivables	708,592	217,349	1,625,848	46,003	-
Due from other funds	65,485	59,195	66,574	-	-
Stores inventory	-	-	283,385	-	-
Total Assets	$ 2,372,257	$ 391,586	$ 4,997,412	$ 6,266,207	$ 3,682,537
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	28,629	17,916	119,814	9,010	-
Due to other funds	20,219	340,258	2,177,194	6	-
Deferred revenue	21,910	-	-	-	-
Total Liabilities	70,758	358,174	2,297,008	9,016	-
FUND BALANCES					
Reserved for:					
Stores inventory	-	-	283,385	-	-
Unreserved:					
Undesignated, reported in:					
Special revenue funds	2,301,499	33,412	2,417,019	6,257,191	-
Debt service funds	-	-	-	-	3,682,537
Capital projects funds	-	-	-	-	-
Total Fund Balances	2,301,499	33,412	2,700,404	6,257,191	3,682,537
Total Liabilities and Fund Balances	$ 2,372,257	$ 391,586	$ 4,997,412	$ 6,266,207	$ 3,682,537

See accompanying note to supplementary information - unaudited.

Combined Debt Service CFDs/COPs	Debt Service Fund	Combined Capital Projects CFDs	State School Building Fund	Special Reserve Capital Fund	Non-Major Governmental Funds
$ 12,447,903	$ 2,082,905	$ 25,374,827	$ 59,528	$ 1,858,364	$ 56,461,095
-	6,777	-	1,981	13,486	2,620,036
-	-	-	47,496	2,014,387	2,253,137
-	-	-	-	-	283,385
$ 12,447,903	$ 2,089,682	$ 25,374,827	$ 109,005	$ 3,886,237	$ 61,617,653
-	-	-	-	11,799	187,168
-	-	-	109,005	1,081,143	3,727,825
-	-	-	-	-	21,910
-	-	-	109,005	1,092,942	3,936,903
-	-	-	-	-	283,385
-	-	-	-	-	11,009,121
12,447,903	2,089,682	-	-	-	18,220,122
-	-	25,374,827	-	2,793,295	28,168,122
12,447,903	2,089,682	25,374,827	-	2,793,295	57,680,750
$ 12,447,903	$ 2,089,682	$ 25,374,827	$ 109,005	$ 3,886,237	$ 61,617,653

RIVERSIDE UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2005

	Adult Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund
REVENUES					
Revenue limit sources	$ 4,409,645	$ -	$ -	$ -	$ -
Federal sources	535,613	9,801	7,654,173	-	-
Other State sources	366,681	1,024,525	501,227	1,603,302	97,275
Other local sources	551,538	422,558	4,523,187	110,994	5,986,629
Total Revenues	5,863,477	1,456,884	12,678,587	1,714,296	6,083,904
EXPENDITURES					
Current					
Instruction	3,705,158	1,030,096	-	-	-
Instruction-related activities:					
Supervision of instruction	58,207	266,295	-	-	-
Instructional library, media, and technology	267	-	-	-	-
School site administration	1,431,146	27,863	-	-	-
Pupil Services:					
Food services	-	28,934	12,561,497	-	-
All other pupil services	156,017	29,909	-	-	-
General administration:					
All other general administration	183,164	63,310	-	-	-
Plant services	418,801	2,950	141,740	1,331,529	-
Facility acquisition and construction	-	-	-	-	-
Debt service					
Principal	-	-	-	-	3,410,000
Interest and other	-	-	-	-	2,698,175
Total Expenditures	5,952,760	1,449,357	12,703,237	1,331,529	6,108,175
Excess (Deficiency) of Revenues Over Expenditures	(89,283)	7,527	(24,650)	382,767	(24,271)
OTHER FINANCING SOURCE (USES)					
Transfers in	-	-	-	2,177,422	-
Other sources	-	-	-	-	-
Transfers out	-	-	(149,512)	-	-
Other uses	-	-	-	-	-
Net Financing Sources (Uses)	-	-	(149,512)	2,177,422	-
NET CHANGE IN FUND BALANCES	(89,283)	7,527	(174,162)	2,560,189	(24,271)
Fund Balance - Beginning	2,390,782	25,885	2,874,566	3,697,002	3,706,808
Fund Balance - Ending	$ 2,301,499	$ 33,412	$ 2,700,404	$ 6,257,191	$ 3,682,537

See accompanying note to supplementary information - unaudited.

Combined Debt Service CFDs/COPs	Debt Service Fund	Combined Capital Projects CFDs	State School Building Fund	Special Reserve Capital Fund	Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 4,409,645
-	-	-	-	-	8,199,587
-	-	-	-	-	3,593,010
4,741,581	11,103	308,830	14,470	694,422	17,365,312
4,741,581	11,103	308,830	14,470	694,422	33,567,554
-	-	-	-	-	4,735,254
-	-	-	-	-	324,502
-	-	-	-	-	267
-	-	-	-	-	1,459,009
-	-	-	-	-	12,590,431
-	-	-	-	-	185,926
1,383,411	-	-	-	-	1,629,885
-	-	143	-	7,225	1,902,388
-	-	13,776,760	1,274,300	3,330,812	18,381,872
2,295,000	-	-	-	-	5,705,000
4,154,049	-	-	-	-	6,852,224
7,832,460	-	13,776,903	1,274,300	3,338,037	53,766,758
(3,090,879)	11,103	(13,468,073)	(1,259,830)	(2,643,615)	(20,199,204)
-	2,542,148	-	-	5,014,387	9,733,957
7,893,029	-	36,884,275	-	-	44,777,304
-	-	-	(33,242)	(12,839)	(195,593)
-	(2,543,460)	-	-	-	(2,543,460)
7,893,029	(1,312)	36,884,275	(33,242)	5,001,548	51,772,208
4,802,150	9,791	23,416,202	(1,293,072)	2,357,933	31,573,004
7,645,753	2,079,891	1,958,625	1,293,072	435,362	26,107,746
$ 12,447,903	$ 2,089,682	$ 25,374,827	$ -	$ 2,793,295	$ 57,680,750

RIVERSIDE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

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

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Riverside Unified School District
Riverside, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Unified School District as of and for the year ended June 30, 2005, which collectively comprise the Riverside Unified School District's basic financial statements and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverside Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Riverside Unified School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2005-1 and 2005-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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Compliance and Other Matters

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

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 14, 2005

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
Riverside Unified School District
Riverside, California

Compliance

We have audited the compliance of Riverside Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Riverside Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Riverside Unified School District's management. Our responsibility is to express an opinion on Riverside Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Riverside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Riverside Unified School District's compliance with those requirements.

In our opinion, Riverside Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Riverside Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Riverside Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co, LLP

Rancho Cucamonga, California
October 14, 2005

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Riverside Unified School District
Riverside, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* 2004-05 prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Riverside Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Riverside Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable

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	Procedures in Controller's Audit Guide	Procedures Performed
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
School Construction Funds:		
School district bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Not Applicable
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes

Based on our audit, we found that for the items tested, the Riverside Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Riverside Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Riverside Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 14, 2005

Schedule of Findings and Questioned Costs

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RIVERSIDE UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,003,459
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Reporting conditions identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

RIVERSIDE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

ASSOCIATED STUDENT BODY ACCOUNTS

2005-1 30000

Finding

During our audit of the various Associated Student Body (ASB) accounts, we noted several areas that are in need of improvement. These areas included cash collection procedures, cash disbursement procedures, student store transactions, and inventory reconciliation. In addition, we noted a lack of separation of duties, incomplete revenue potentials, and incomplete ticket control documentation.

Recommendation

The District should continue to review and update the policies/procedures for the ASB accounts. To establish sufficient separation of duties and internal control over cash collections, cash disbursements, student store operations, revenue potentials, and ticket sales; continued training and monitoring of the site operations is recommended.

District Response

The District will review ASB procedures and conduct internal audits of the site ASB's to insure proper compliance with procedures.

2005-2 30000

YEAR-END CLOSING

Cafeteria Fund

Finding

Numerous audit adjustments were made to the District's "Unaudited Actual Report" of the Cafeteria Fund. The adjustments were based upon post-closing entries that were processed by the cafeteria bookkeeper subsequent to the date of filing of the "Unaudited Actual Report" to the County Office of Education.

Recommendation

Subsequent to the post-closing entries made to the Cafeteria Fund, the balances and activity reported for the fiscal year 2004-05 were fairly stated. These corrections were necessary due to untimely and incomplete reconciliations of the Cafeteria Fund's accounts. The District should continue to provide training to the Cafeteria Fund bookkeeper. We recommend a timely monthly reconciliation of the Cafeteria Fund in order to file timely year-end reports.

District Response

The District will continue the training process with the Food Service staff with year-end closing procedures. Also, the Food Services Division is transferring all financial data onto the Riverside County Office of Education financial data system, which will allow further monitoring of Food Services financials and assist with year-end closing.

RIVERSIDE UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

None reported.

RIVERSIDE UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

None reported.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

ASSOCIATED STUDENT BODY ACCOUNTS

2004-1 30000

Finding

During our audit of the various Associated Student Body (ASB) accounts, we noted several areas that are in need of improvement. These areas included cash collection procedures, cash disbursement procedures, student store transactions, and inventory reconciliation. In addition, we noted a lack of separation of duties, incomplete revenue potentials, and incomplete ticket control documentation.

Recommendation

The District should review and update the policies/procedures for site cash collections. To provide for proper internal controls over the cash collection function, we suggest that prenumbered receipts be used and maintained for audit purposes. Once the cash is collected at the school site, it should be remitted to the District Office within a reasonable period of time for subsequent deposit.

Current Status

Not implemented, see current year findings and recommendations 2005-1.

2004-2 30000

Sierra Middle School

Finding

It was noted that sub-receipt books or receipt logs are not being used by teachers and advisors for cash collections from students.

Recommendation

Cash receipts should be used to ensure that all collections by teachers and advisors are included in the deposits that are forwarded to the bookkeeper.

Current Status

Implemented.

2004-3 30000

Central Middle School

Finding

The cash balance per the ASB general ledger indicated a negative balance of $3,221 at June 30, 2004. This is due in part to deposits not being posted in a timely manner.

Recommendation

Deposits should be made in a timely manner and posted to the appropriate fiscal year of the ASB books during the year-end closing process.

Current Status

Implemented.

2004-4 30000

Harrison Elementary, Washington Elementary

Finding

The sites did not provide reconciled bank statements and financial statements for the year-end audit.

Recommendation

Although the District was able to recreate the financial activity for our audit, we recommend that financial statements and bank reconciliations be completed by site personnel on a monthly basis.

Current Status

Implemented.

RIVERSIDE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

2004-5 30000

Ramona High School, Sierra Middle School, University Middle School

Finding

The sites indicated had negative balances in trust accounts as of June 30, 2004. The following is a list of those sites and the negative balances at June 30, 2004:

Ramona High School
- Boys Basketball Club $2,089.79
- Girls Basketball Club $116.89

Sierra Middle School
- Band Club $46.25
- Yearbook Club $1,377.26

University Middle School
- Yearbook Club $1,496.69
- Colorguard Club $38.39

Recommendation

An account should not incur a negative balance situation without prior approval of the general ASB student council. The council may approve a loan; however, in our audit, no prior approvals were noted.

Current Status

Implemented.

2004-6 30000

SITE CASH COLLECTIONS

Sierra Middle School

Finding

Receipt books are not used to track cash collections for remittance to the District office.

Recommendation

Pre-numbered receipt books should be used by all sites to support cash collections. To ensure that cash deposits are complete, the sites should remit all cash and supporting receipts to the District at least once each month.

Current Status

Implemented.

2004-7 30000

YEAR-END CLOSING

Cafeteria Fund

Finding

Numerous audit adjustments were made to the District's "Unaudited Actual Report" of the Cafeteria Fund. The adjustments were based upon post-closing entries that were processed by the cafeteria bookkeeper subsequent to the date of filing of the "Unaudited Actual Report" to the County Office of Education.

Recommendation

Subsequent to the post-closing entries made to the Cafeteria Fund, the balances and activity reported for the fiscal year 2003-04 were fairly stated. These corrections were necessary due to untimely and incomplete reconciliations of accounts payable and cash receipts.

Current Status

Not implemented, see current year findings and recommendations 2005-2.

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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 believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, 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. Reference made to www.dtcc.com is presented as a link for additional information regarding DTC and none of the information on such website is a part of or incorporated into this Official Statement.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

DTC 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner

entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 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 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 nor its nominee, 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 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 Beneficial 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.

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 Bonds are required to be printed and delivered.

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

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

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the Riverside Unified School District (the "Issuer"), in connection with the issuance and delivery of $65,000,000 Election of 2001, General Obligation Bonds, Series B by the Issuer (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer adopted on March 20, 2006 (the "Resolution"). The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate 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 Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

"Disclosure Representative" shall mean the Deputy Superintendent of the Issuer or his or her designee, 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, initially, 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 Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purpose of the Rule. The Nationally Recognized Municipal Securities Information Repository for purposes of the Rule are identified in the Securities and Exchange Commission website located at www.sec.gov/consumer/nrmsir.htm.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

"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, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; 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 each Repository or the Municipal Securities Rulemaking Board and, in either case, 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 Repositories, 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 Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each 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 Certificate, 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.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder may be made through a Central Post Office.

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

(a) (i) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended; (ii) the most recently adopted budget of the Issuer and, if required to be prepared and filed, the First Interim Report for the current fiscal year; and (iii) an update of the information contained in Tables 1 through 4 and 7 contained under the headings "TAX BASE FOR REPAYMENT OF BONDS" and "THE DISTRICT" in the Official Statement for the Bonds; provided that Table 2 shall be expanded to include the delinquency rate for parcels within the Issuer's boundaries, when and if available. 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 each Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

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

SECTION 5. Reporting of Significant Events.

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

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on any reserve fund reflecting financial difficulties;

(4) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties;

(5) any change in the provider of any letter of credit or any municipal bond insurance policy securing the Bonds, or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy;

(6) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

(7) amendment to the Resolution or this Disclosure Certificate modifying the rights of Bondowners;

(8) unscheduled redemption of any Bond;

(9) defeasances;

(10) any release, substitution, or sale of property securing repayment of the Bonds; and

(11) rating changes.

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

(c) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(d) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(e) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (i) the Municipal Securities Rulemaking Board or (ii) the National Repository, and in either case, to each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the 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 Certificate, 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 Certificate 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 Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, 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 Certificate 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 Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, 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 Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the 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 Certificate, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice if 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 Certificate, 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 Certificate, 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 Certificate. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Certificate, 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 Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Paying Agent and Dissemination Agent. The Dissemination Agent (if other than the Issuer) shall have only such duties as are specifically set forth in this Disclosure Certificate, 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 Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate 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: April 19, 2006

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: _____

Its: Deputy Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Riverside Unified School District
Name of Bond Issue:	Riverside Unified School District Election of 2001 General Obligation Bonds, Series B
Date of Issuance:	April 19, 2006

NOTICE IS HEREBY GIVEN that the Riverside 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 Certificate dated April 19, 2006. [The School District anticipates that the Annual Report will be filed by _____.]

Dated: _____

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: _____
Its: Deputy Superintendent

cc: Issuer

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APPENDIX E

GENERAL INFORMATION CONCERNING THE CITY OF RIVERSIDE

The following information concerning the City of Riverside ("Riverside"), the County of Riverside (the "County") and the State of California (the "State") is presented as general background information. The Bonds are not an obligation of Riverside, the County or the State and the taxing the power of Riverside, the County and the State are not pledged to the payment of the Bonds.

The District has not independently verified the information set forth in this Appendix E and while this information is believed to be reliable, it is not guaranteed as to accuracy by the District.

General

The City is the county seat of Riverside County (the "County") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 20 miles of the City are the Cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the Counties of Riverside and San Bernardino and comprise the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The MSA represents an important economic area of the State and of Southern California. It lies to the west and south respectively of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. With a population of over 3.2 million, the area ranks as one of the largest MSAs in the United States. Riverside County alone is larger than the State of New Jersey. The MSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Population

The following table offers population figures for Riverside, the County and the State for 2001 through 2005.

Area	*2001*	*2002*	*2003*	*2004*	*2005*
City of Riverside	262,311	271,004	277,527	281,810	285,537
County of Riverside	1,590,473	1,654,220	1,726,754	1,807,858	1,877,000
State of California	34,441,561	35,088,671	35,691,442	36,271,091	36,810,358

Source: California State Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2005 with 2000 DRU Benchmark.

Construction Activity

The following table shows building permit valuations and new housing units in Riverside for 2001 through 2005.

CITY OF RIVERSIDE
Building Permit Valuation and New Housing Units

	2001	*2002*	*2003*	*2004*	*2005*
Residential					
Single Family	$ 254,494,169	$ 218,696,092	$ 140,055,599	$ 205,436,675	$ 333,223,778
Multi-Family	2,718,970	0	93,711,012	23,610,909	26,632,564
Alteration/Additions	11,064,171	12,584,670	19,772,469	22,225,738	22,817,768
Total	$ 268,277,310	$ 231,280,762	$ 253,539,080	$ 251,273,322	$ 382,674,110
Non-Residential					
New Commercial	$ 41,602,469	$ 62,900,539	$ 62,900,539	$ 161,598,743	$ 107,106,188
New Industry	13,086,404	53,790,774	14,973,553	14,593,799	26,909,487
Other[(1)]	9,976,964	6,190,790	18,816,844	32,324,429	35,436,153
Alteration/Additions	31,886,172	17,948322	45,913,655	40,374,194	56,320,861
Total	$ 96,552,009	$ 110,750,442	$ 142,604,591	$ 248,891,165	$ 225,772,689
Total All Industry	$ 364,829,319	$ 342,031,204	$ 396,143,671	$ 500,164,487	$ 608,446,799
New Housing Units					
Single Family Units	1,237	1,113	689	820	1,442
Multi-Family Units	40	0	1,377	282	369
Total	1,277	1,113	2,066	1,102	1,811

(1) Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.
(2) May not add up due to rounding.
Source: Construction Industry Research Board.

Employment

The following table sets forth the major employers located in the County as of March 28, 2005:

COUNTY OF RIVERSIDE
Major Employers[(1)]

Name	*Employees*	*Type of business or entity*
County of Riverside	17,942	County government
University of California, Riverside	6,856	Higher education
Pechanga Resort & Casino	4,600	Casino and resort
March Air Reserve Base	3,901	Military base
Riverside Unified School District	3,869	Education
Kaiser Permanent Riverside Medical Center	3,025	Healthcare
Guidant Corp	3,000	Medical device manufacturer
Temecula Valley Unified School District	2,551	Education
Morongo Casino, Resort & Spa	2,500	Casino and resort
Hemet Unified School District	2,473	Education
City of Riverside	2,470	City Government
Fleetwood Enterprises Inc.	2,452	RV home manufacturer
Riverside Community Collage District	2,356	Higher education
Alvord Unified School District	2,000	Education
Riverside County Office of Education	2,000	Education

(1) The County itself does not directly maintain employment records, but relies upon a variety of independent surveys, as well as upon its own surveys to identify major employers.

Source: *The Business Press*.

Employment and Industry

Employment data by industry is not separately reported on an annual basis for Riverside but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below. The following table represents the Annual Average Labor Force and Industry Employment for the MSA for the period from 2001 through 2005.

RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
Riverside, San Bernardino Counties
Industry Employment & Labor Force - by Annual Average
March 2005 Benchmark

	2001	*2002*	*2003*	*2004*	*2005*
Total Farm	20,900	20,300	20,300	18,700	18,200
Total Nonfarm	1,029,700	1,064,500	1,099,200	1,160,000	1,217,100
Total Private	829,500	851,800	887,600	947,500	996,800
Goods Producing	208,200	207,500	216,300	233,100	243,700
Natural Resources and Mining	1,200	1,200	1,200	1,200	1,300
Construction	88,400	90,900	99,000	111,800	122,200
Manufacturing	118,600	115,400	116,100	120,100	120,200
Durable Goods	84,100	82,000	82,400	85,500	85,600
Nondurable Goods	34,400	33,400	33,700	34,600	34,600
Service Providing	821,600	857,000	882,900	926,900	973,400
Private Service Producing	621,400	644,300	671,400	714,400	753,100
Trade, Transportation and Utilities	219,400	226,300	236,300	254,900	273,900
Wholesale Trade	41,600	41,900	43,500	45,600	49,200
Retail Trade	132,200	137,500	142,700	153,800	165,000
Transportation, Warehousing and Utilities	45,600	46,800	50,100	55,500	59,700
Information	14,600	14,100	13,900	14,000	14,400
Financial Activities	38,200	39,500	42,600	45,700	48,700
Professional and Business Services	101,700	106,800	115,400	125,500	132,500
Educational and Health Services	106,000	112,400	115,800	118,400	120,000
Leisure and Hospitality	104,400	107,200	109,000	116,700	122,400
Other Services	37,100	38,100	38,400	39,300	41,200
Government	200,200	212,700	211,600	212,500	220,400
Total, All Industries	1,050,700	1,084,800	1,119,400	1,178,700	1,235,400

Note: The unemployment rates are calculated using unrounded data. Data may not add due to rounding.
Source: State of California Employment Development Department.

The following table summarizes the labor force, employment and unemployment figures for the years 2001 through 2005 for Riverside, the County, the State and the nation as a whole.

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment

Year and Area	*Labor Force*	*Employment*[(1)]	*Unemployment*[(2)]	*Unemployment Rate (%)*[(3)]
2001				
Riverside	126,300	119,000	7,300	5.8%
Riverside County	710,300	671,600	38,700	5.5
California	17,150,100	16,217,500	932,600	5.4
United States	143,734,000	136,933,000	6,801,000	4.7
2002				
Riverside	133,200	124,300	8,900	6.7%
Riverside County	748,900	701,400	47,500	6.3
California	17,326,900	16,165,100	1,161,800	6.7
United States	144,863,000	136,485,000	8,378,000	5.8
2003				
Riverside	138,800	129,600	9,200	6.7%
Riverside County	780,600	731,300	49,300	6.3
California	17,414,000	16,223,500	1,190,500	6.8
United States[(4)]	146,510,000	137,736,000	8,774,000	6.0
2004				
Riverside	144,100	135,300	8,800	6.1%
Riverside County	810,600	763,800	46,800	5.8
California	17,552,300	16,459,900	1,092,400	6.2
United States[(4)]	147,401,000	139,252,000	8,149,000	5.5
2005				
Riverside	150,900	142,900	8,000	5.3%
Riverside County	849,600	806,700	42,900	5.1
California	17,695,600	16,746,900	948,700	5.4
United States[(4)]	149,320,000	141,730,000	7,591	5.1

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, based on March 2004 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Effective Buying Income

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

The following table summarizes the total and median household effective buying income for Riverside, the County, the State and the nation for the period 2000 through 2004.

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND THE UNITED STATES
Total Effective Buying Income and Median Household Effective Buying Income
For the Years 2000 through 2004[1]

	Total Effective Buying Income (000s Omitted)[2]	*Median Household Effective Buying Income*
2000		
Riverside	$ 3,735,911	$37,395
Riverside County	25,144,120	39,293
California	652,190,282	44,464
United States	5,230,824,904	39,129
2001		
Riverside	$ 3,636,701	$37,231
Riverside County	23,617,301	37,480
California	650,521,407	43,532
United States	5,303,481,498	38,365
2002		
Riverside	$ 3,874,905	$37,406
Riverside County	25,180,040	38,691
California	647,879,427	42,484
United States	5,340,682,818	38,035
2003		
Riverside	$ 4,135,550	$37,794
Riverside County	27,623,743	39,321
California	674,721,020	42,924
United States	5,466,880,008	38,201
2004		
Riverside	$ 4,303,175	$38,787
Riverside County	29,468,208	51,803
California	705,108,410	43,915
United States	5,692,909,567	39,324

(1) Not comparable with prior years. Effective Buying Income is now based on money income (which does not take into account sale of property, taxes and social security paid, receipt of food stamps, etc.) versus personal income.
(2) Dollars in thousands.
Source: "Survey of Buying Power," *Sales & Marketing Management Magazine*, dated 2001, 2002, 2003, 2004 and 2005.

Retail Sales

The table below presents Riverside's retail sales for the years 2000 through 2004.

CITY OF RIVERSIDE
Taxable Transactions For Years 2000 through 2004
(in Thousands)

	2000	*2001*	*2002*	*2003*	*2004*
Apparel stores	$ 92,241	$ 98,859	$ 105,476	$ 124,223	$ 145,023
General merchandise stores	465,490	485,571	510,038	536,795	597,030
Food stores	133,363	134,502	136,076	145,308	154,562
Eating and drinking places	223,253	239,811	257,711	276,757	300,858
Home furnishings and appliances	77,552	75,754	81,844	93,977	102,243
Building materials and farm implements	290,734	326,627	346,277	395,175	517,865
Automobile dealers and auto supplies	698,147	780,641	864,486	987,372	1,172,792
Service stations	200,155	199,159	192,914	222,575	266,658
Other retail stores	341,252	351,055	396,808	427,978	461,968
Total Retail Outlets	2,522,187	2,691,979	2,891,630	3,210,160	3,718,999
All Other Outlets	697,707	715,273	769,277	764,423	884,770
Total All Outlets	$3,219,894	$3,407,252	$3,660,907	$3,974,583	$4,603,769

Source: California State Board of Equalization.

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APPENDIX F

RIVERSIDE COUNTY TREASURER'S INVESTMENT POLICY

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COUNTY OF RIVERSIDE
OFFICE OF THE TREASURER TAX-COLLECTOR
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Treasurer's Statement of Investment Policy is presented annually to the County Investment Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code so as to become effective January 1, 2006.

SCOPE

The Treasurer's Statement of Investment Policy is limited in scope to only those County, school and special district fund assets actually deposited and residing in the County Treasury. It does not apply to bond funds or other assets belonging to the County of Riverside, or any affiliated public agency the assets of which reside outside of the County Treasury.

FIDUCIARY RESPONSIBILITY

Section 27000.3 of the Government Code declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies to be a trustee and therefore a fiduciary subject to the prudent investor standard. This standard, as stated in Section 27000.3 requires that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, 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."

PORTFOLIO OBJECTIVES

The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal; second to maintain sufficient liquidity within the portfolio to meet daily cashflow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law.

AUTHORITY

Statutory authority for the Treasurer's investment and safekeeping functions are found in Sections 53601 and 53635 et. seq. The Treasurer's authority to make investments is to be renewed annually, pursuant to state law. It was last renewed by the Board of Supervisors on December 21, 2004 by County Ordinance No. 767.8. California Government Code Section 53607 effectively requires the legislative body to delegate investment authority of the County on an annual basis.

AUTHORIZED INVESTMENTS

Investments shall be restricted to those authorized in Government Code Sections 53601 and 53635 as amended and as further restricted by this policy statement. All investments shall be governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification, credit quality standards, and purchase restrictions that apply.

STAFF AUTHORIZED TO MAKE INVESTMENTS AND WIRE TRANSFERS

Only the Treasurer-Tax Collector, Paul McDonnell, Assistant Treasurer, Don Kent, Chief Deputy Treasurer-Tax Collector, Jon Christensen, and, Assistant Investment Officer, Giovane Pizano are authorized to make investments (except in the case of an emergency) and to order the receipt and delivery of investment securities among custodial security clearance accounts. Staff authorized to make wire or electronic fund transfers (EFT's), and staff authorized to release these wires and EFT's are governed under the Treasurer's Wire Policy.

AUTHORIZED BROKER/DEALERS

Securities transactions are limited solely to those noted on Schedule II of this policy.

DAILY ACCOUNTABILITY AND CONTROL

Except for emergencies or previous authorization by the Treasurer-Tax Collector, all investment transactions are to be conducted at the Treasurer-Tax Collector's office (if open and available to conduct business), documented, and reviewed by the Treasurer-Tax Collector. All investment transactions will be entered daily into the Treasurer's internal financial accounting system with copies to be filed on a timely basis. Portfolio income shall be reconciled daily against cash receipts and quarterly, prior to the distribution of earnings among those entities sharing in pooled fund investment income.

SECURITY CUSTODY & DELIVERIES

All securities except for money market funds registered in the County's name and securities issued by the County or other local agencies shall be deposited for safekeeping with banks contracted to provide the County Treasurer with custodial security clearance services. These third party trust department arrangements provide the County with a perfected interest in, and ownership and control over the securities held by the custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are **NOT** to be held in investment firm/broker dealer accounts. All security transactions are to be conducted on a "delivery versus payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Securities issued by local agencies purchased directly shall be held in the Treasurer's vault. The security holdings shall be reconciled monthly and audited quarterly by the Treasurer's Internal Audits staff.

COMPETITIVE PRICING

Investment transactions are to be made at current market value and competitively priced whenever possible. Competitive pricing does not necessarily require submission of bids, but does require adequate comparative analysis. The current technology utilized by the Treasury provides this information.

MATURITY LIMITATIONS
Unless further restricted by law or these guidelines (Schedule I), no investment shall exceed a final maturity date of five years from the date of purchase.

LIQUIDITY
The portfolio shall maintain a weighted average days to maturity (WAM) of less than 541 days or 1.5 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less.

SECURITIES LENDING
The Treasurer may engage in securities lending activity limited to 20% of the portfolio's book value on the date of transaction. Instruments involved in a securities lending program are restricted to those securities pursuant to California Government Code Section 53601(i) and by the Treasurer's Statement of Investment Policy.

REVERSE REPURCHASE AGREEMENTS
The Treasury shall not engage in any form of leverage for the purpose of enhancing portfolio yield. There shall be no entry into reverse repurchase agreements except for temporary and unanticipated cashflow requirements that would cause the Treasurer to sell securities at a principal loss. Any reverse repurchase agreements are restricted pursuant to California Government Code Section 53601(i) and by the Treasurer's Statement of Investment Policy.

MITIGATING MARKET & CREDIT RISKS
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by the nationally recognized rating agencies on the credit worthiness of each issuer of the security, (2) limiting the concentration of investment in any single firm to the dollar limits authorized, (3) by limiting the duration of investment to the time frames noted in Schedule I, (4) and by maintaining the diversification and liquidity standards expressed within this policy.

TRADING & EARLY SALE OF SECURITIES
All securities are to be purchased with the intent of holding them until maturity. However, in an effort to minimize market and credit risks, securities may be sold prior to maturity either at a profit or loss when economic circumstances, trend in short-term interest rates, or a deterioration in credit-worthiness of the issuer warrants a sale of the securities to either enhance overall portfolio yield or to minimize further erosion and loss of investment principal. Such sales should take into account the short and long term impacts on the portfolio. However, the sale of a security at a loss can only be made after first securing the approval of the Treasurer-Tax Collector.

PURCHASE OF WHEN ISSUED SECURITIES
When issued (W.I.) purchases of securities and their subsequent sale prior to cash settlement are authorized as long as sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date.

PORTFOLIO REPORTS/AUDITING

Portfolio reports required by Sections 53607 and 27133(e) shall be filed monthly with the Board of Supervisors. The Treasurer shall also prepare and file with the Board of Supervisors, the County Executive Officer, County Auditor-Controller, Superintendent of Schools and the Investment Oversight Committee, the Treasurer's Monthly Disclosure Report on Investments, including at a minimum, all information required by law. Monthly Treasurer's Pooled Investment Fund reports are to be filed with the County Investment Oversight Committee as required by Section 27134 of the California Government Code. Consistent with Board Policy B-21 (County Investment Policy Statement), § III A, an outside compliance audit will be conducted annually. Outside audits will be conducted at least biannually by an independent auditing firm selected by the Board of Supervisors, per Board Minute Order No. 3.48.

SPECIFIC INVESTMENTS

Specific investments for individual funds may be made in accordance with the Treasurer's Statement of Investment Policy, upon written request of the responsible agency, and, approval of the Treasurer-Tax Collector. Investments outside of the policy may be made on behalf of such funds with approval of the governing Board. With the purchase of specific investments, the fund will be allocated the earnings associated with those investments. The Treasurer-Tax Collector reserves the right to allocate a prorata charge for administrative costs to such funds.

PERFORMANCE EVALUATION

Portfolio performance is monitored daily and evaluated monthly in comparison to the movement of the Treasurer's Institutional Money Market Index (TIMMI), or other suitable index. Over time, the portfolio rate of return should perform in relationship to such an index. Regular meetings are to be conducted with the investment staff to review the portfolio's performance, in keeping with this policy, and current market conditions.

INVESTMENT OVERSIGHT COMMITTEE

In accordance with Section 27130 et seq. of the California Government Code, the Board of Supervisors has established an Investment Oversight Committee. The role of the Committee is advisory in nature. It has no input on day to day operations of the Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS

Portfolio income, including gains and losses (if any), will be distributed quarterly in compliance with Sections 53684 and 53844 of the California Government Code which give the Treasurer broad authority to apportion earnings and losses among those participants sharing in pooled investment income, and except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed prorata based upon each participant's average daily cash balance for the calendar quarter. Any subsequent adjustments of reported earnings by the Auditor-Controller will be first reviewed and approved by the Treasurer to assure compliance with California Government Code Sections 53684 and 53844.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted, pursuant to Section 27013 of the California Government Code, to deduct from investment income before the distribution thereof, the actual cost of the investment, audit, deposit, handling and distribution of such income.

Accordingly, in keeping with Sections 27013, 27133(f), and 27135, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: retail banking services, wire transfers, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. Costs are apportioned based upon average daily ending balances. Prior to gaining reimbursement for these costs, the Treasurer-Tax Collector shall annually prepare a proposed budget revenue estimate for "Section 27013 administrative costs", providing a detailed itemization of all costs required to be reimbursed.

TREASURY OPERATIONS

Treasury operations are to be conducted in the most efficient manner to reduce costs and assure the full investment of funds. The Treasurer will maintain a policy regarding outgoing wires and other electronic transfers. Requests for outgoing transfers which do not arrive on a timely basis may be delayed. The County Treasurer may institute a fee schedule to more equitably allocate costs that would otherwise be spread to all depositors.

POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY

Should any agency solicit entry, the agency shall comply with the requirements of Section 53684 of the California Government Code and provide to the County Treasurer a resolution adopted by its governing board stating that it has excess funds available for the purpose of investment. The resolution shall specify the amount of monies to be invested, the person authorized at the agency to coordinate the transaction, the anticipated time frame for deposits, the agency's willingness to be bound to the statutory 30 day written notice requirement for withdrawals, and acknowledging the Treasurer's ability to deduct pro-rata administrative charges permitted by Section 27013. Any solicitation for entry into the TPIF must have the County Treasurer's prior written approval before the receipt of funds is authorized. The depositing entity will enter into a depository agreement with the Treasurer.

POLICY CRITERIA FOR VOLUNTARY PARTICIPANT WITHDRAWALS

With the Treasury being required to maintain a 40% liquidity position at all times during the calendar year, it is anticipated that sufficient funds will be on hand to immediately meet on demand all participant withdrawals for the full dollar amounts requested without having to make any allowance or pro-rata adjustment based on the current market value of the portfolio. In addition, any withdrawal by a local agency for the purpose of investing or depositing those funds outside the Pool shall have the prior written approval of the County Treasurer. The Treasurer's approval of the withdrawal request shall be based on (1) the availability of funds; (2) the circumstances prompting the request; (3) the dollar volume of similar requests; (4) the prevailing condition of the financial markets; (5) the present magnitude of the portfolio's "paper loss" when compared to the total book value of the portfolio, and, (6) whether the withdrawal would adversely affect other depositors in the Pool.

POLICY ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Neither the Treasurer-Tax Collector nor any member of his staff, shall accept any gift, gratuity or honoraria from financial advisors, brokers, dealers, bankers or other persons or firms conducting business with the County Treasurer which exceeds the limits established by the Fair Political Practices Commission (FPPC) and relevant sections of California Government Code section 27133.

ETHICS & CONFLICTS OF INTEREST

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. In addition, the County Treasurer-Tax Collector, Assistant Treasurer and Chief Deputy Treasurer-Tax Collector are required to file annually the applicable financial disclosure statements as mandated by the FPPC and County policy.

INVESTMENTS MADE FROM DEBT ISSUANCE PROCEEDS

The proceeds of a borrowing may be specifically invested per Schedule I of this policy (with the exception of Collateralized Time Deposits and Local Agency Obligations) as well as competitively bid investments (see County of Riverside Office Of The Treasurer-Tax Collector Statement Of Investment Policy Governing Competitively Bid Investments for Pool Participants, dated February 28, 2006).

No pooled fund investments made from the proceeds of a borrowing, the monies of which are deposited in the County Treasury, shall be invested for a period of time exceeding the maturity date of the borrowing. Nor shall any monies deposited with a bank trustee or fiscal agent for the ultimate purpose of retiring the borrowing be invested beyond the maturity date of the borrowing.

POLICY ADOPTION & AMENDMENTS

This policy statement will become effective February 28, 2006 following adoption by the Board of Supervisors, and, will remain in force until subsequently amended in writing by the Treasurer-Tax Collector and approved by the Board.



Paul McDonnell
County of Riverside
Treasurer-Tax Collector

SCHEDULE I

AUTHORIZED INVESTMENTS	DIVERSIFICATION (1)	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury notes, bills, bonds or other certificates of indebtedness	100%	NA	Maximum 5 years	NA
Notes, participations, or obligations issued by the agencies of the federal government	100%	NA	Maximum 5 years	NA
Bonds, notes, warrants or certificates of indebtedness issued by the state or local agencies or County of Riverside	15% max or $150mm	NA	Maximum 3 years	Long term - A, A2, A or better
Bankers Acceptances (BA's)	30% maximum	Max $50mm per issuer	Maximum 180 days	Short term - A-1,P-1,F-1 or better
Commercial Paper (CP) of U.S. corporation with total assets exceeding $500 mm	40% maximum	Max $50mm per issuer See Schedule VI	Maximum 270 days	Short term - A-1,P-1,F-1 or better
Local Agency Obligations	2.5% max, no more than 1.25% per issuer	Board of Supervisors approval required. Issued by pool depositors only	Maximum 3 years	Non-rated, if in the opinion of the Treasurer, considered to be of investment grade or better
CalTRUST Short Term Fund	1% maximum	Board of Supervisors approval required.	Daily liquidity	NR / Portfolio managed pursuant to California Government Code § 53601 & 53635
Negotiable CD's issued by national or state chartered banks or a licensed branch of a foreign bank	25% maximum	Max $50mm per issuer	Maximum 1 year	Short term - A-1,P-1,F-1 or better
Collateralized Time Deposits	2% maximum	See Schedule IV	Maximum 1 year	N/A
Repurchase Agreements (repo) with 102% collateral restricted to U. S. Treasuries, agencies, agency mortgages, CP, BA's	40% max, 25% in term repo over 7 days. No more than 20% w/one dealer in term repo	Repurchase agreements to be on file	Maximum 45 days	Short Term A-1, P-1, F-1 or better If A-2, P-2, F2 then overnight only
Reverse Repurchase Agreements on U. S. Treasury & federal agency securities in portfolio	10% maximum	For temporary cash Flow needs only.	Max 60 days with prior approval of Board of Supervisors	NA
Medium Term Notes or Corporate Notes on U. S. corporation	20% maximum	Max $25mm per issuer	Maximum 2 years	Short term – A-1, P-1, F-1 Long term – AA, Aa2, AA or better AA, Aa2, AA minimum if under 1 year AAA, Aaa, AAA minimum if over 1 year
Money Market Mutual Funds that invest in eligible securities meeting requirements of California Government Code	20% maximum	Registered with SEC No NAV adjustments No front end loads See Schedule V	Daily liquidity	Long Term - AAA by at least 2 of the 3 rating agencies

(1) Whichever is greater.

AUTHORIZED BROKER/DEALERS
SCHEDULE II

The Treasurer is authorized to conduct investment security transactions with the broker/dealers which are designated by the Federal Reserve Bank as primary government dealers. Security transactions with firms, other than those appearing on this list, are prohibited.

1. Other authorized firms:

   Cantor Fitzgerald Securities Corp.
   A.G. Edwards and Sons, Inc.
   Union Bank of California
   The Bank of New York
   Wells Fargo Bank
   U.S. Bank

2. Direct purchases from major commercial paper issuers, money market mutual funds, banker's acceptance issuers, negotiable CD issuers, or savings and loan are authorized.

3. Incidental purchases of less than $10 million may be made with other firms if in the opinion of the Treasurer, such transactions are deemed advantageous.

To ensure compliance with the County Treasurer's investment guidelines, each newly authorized primary government dealer and other authorized firms (as listed above in section A, B and C) will be supplied a complete copy of this Investment Policy document approved by the Board of Supervisors.

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS
SCHEDULE III

1. The County Treasurer has elected to limit security transactions as mentioned in Schedule II. Accordingly, the financial institution must confirm that they are a member of the National Association of Security Dealers (NASD), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses. The Treasurer is prohibited from the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.

2. The County Treasurer's intent is to enter into long-term relationships. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The firm must state in writing its willingness to be bound by the County Treasurer's written Investment Policy Guidelines.

4. The firm must specify the types of securities it specializes in and will be made available for our account. Additionally, the firm must maintain its own securities clearing operations to qualify doing business with the County Treasurer.

5. It is important that the firm provide related services that will enhance the account relationship which could include:
   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on commercial paper, bankers acceptances and other securities it offers for sale.
   (c) Be willing to trade securities for our portfolio.
   (d) Be capable of providing market analysis, economic projections, newsletters.
   (e) Provide market education on new investment products, security spread relationships, graphs, etc.

6. The firm must be willing to provide us annual financial statements.

7. The County Treasurer is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank, The Bank of New York.

8. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis.

9. The broker/dealer must have been in operation for more than 5 years, and, if requested, the firm must be willing to provide us a list of local government clients or other reference, particularly those client relationships established within the State of California.

POLICY CRITERIA FOR COLLATERALIZED TIME DEPOSITS
SCHEDULE IV

Before the Treasury can place a time deposit with a local bank or savings and loan, the following criteria must be met:

1. The bank must provide us with an executed copy of the "Contract for Deposit of Moneys".

2. The interest rate on the Time Certificate of Deposit must be competitive with rates offered by other banks and savings and loans residing in Riverside County, and, must exceed the interest rate for treasury bills for a similar maturity period.

3. For investments less than $100,000, FDIC insurance will be sufficient without requiring any collateral to be pledged with the Federal Reserve to secure the public fund deposit.

4. For investments exceeding $100,000, there will be a waiver of collateral for the first $100,000 deposited and protected by FDIC insurance. The remainder of the deposit shall be fully collateralized by U. S. Treasury and Federal Agency securities having maturities less than five years. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. The securities pledged as collateral must have a current market value greater than the dollar amount of the deposit in keeping with the ratio requirements specified in Section 53652 of the Government Code. Additionally, a statement of the collateral shall be provided on a monthly basis.

5. The County Treasurer must be given a current audited financial statement for the financial year just ended as well as the most recent quarterly statement of financial condition. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

6. The County Treasurer will not place a public fund deposit for more than 10% of the present paid-up capital and surplus of the bank.

7. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc).

8. All time certificates must have a maturity date not exceeding one year from the date of the deposit, with interest payments based upon the stated interest rate.

9. The County Treasurer must receive a letter from the comptroller and/or treasurer of the bank at the time the initial deposit is made, that there is no known pending financial disclosure or public announcement of an adverse financial event involving the bank or savings and loan, nor is there any knowledge that a conflict of interest situation exists between any County official and an officer or employee of the bank.

10. Time deposits will only be made with banks and savings and loans having branch office locations within Riverside County.

POLICY CRITERIA FOR ENTERING INTO A MONEY MARKET FUND
SCHEDULE V

1. The firm must provide in writing a statement on the fund's letterhead that the fund meets the statutory requirements of California law (i.e., Sections 53601 and 53635 of the California Government Code).

2. The fund must provide evidence that it has been registered with SEC and has "AAA" ratings from two of the nationally recognized rating agencies: Moody's, Fitch, Standard & Poor's.

3. The fund must provide us copies of their portfolio reports and shall provide at least at month-end, a complete listing of securities within the fund's portfolio.

4. The fund shall provide us a current prospectus before our participation in the fund.

5. The fund's prospectus cannot allow hedging strategies, options, futures, or security lending transactions.

6. The fund must maintain daily, a principal per share value of $1.00 per share.

7. The fund shall provide information as to who serves as their custodial bank.

8. The fund shall provide at least annually financial statements on the fund's financial condition and investment performance.

9. The fund shall provide us wire instructions for the purchase and redemption of shares, and must be able to distribute interest earnings to the County Treasurer on a monthly basis.

10. Unless the fund is more than five years old, the County Treasurer is to be given its performance history since the inception of the fund.

11. The County Treasurer is also to be given the date the fund was established, the total assets currently under management, the recent 12 months history as to either the growth or decline in assets under management, and whether or not the fund is assessing 12B-1 management fees.

POLICY CRITERIA FOR PURCHASES OF COMMERCIAL PAPER
SCHEDULE VI

	Short-Term Ratings	Long-Term Ratings
Category 1	A-1+/P-1/F-1+	AAA/Aaa/AAA, AA/Aa2/AA, A+/A1/A+ or better, or, NR for Asset Backed programs only.
Category 2	A-1/P-1/F-1	A/A2/A or better.

Restrictions

Category 1	No short-term credit watch by any agency if long-term rating is AA/Aa3/AA- or less. No short-term credit watch by S&P, Moody's or Fitch if NR for the long-term ratings.
Category 2	No short-term credit watch by any agency. No long-term negative outlook by any agency. No Asset Backed programs. Maturity no greater than 45 days.

Rating Agency Comparison Table

Short-Term Scale

S&P	**A-1+, A-1**
Moody's	**P-1**
Fitch	**F-1+, F-1**

Long-Term Scale

S&P	**AAA, AA+, AA, AA-, A+, A**
Moody's	**Aaa, Aa1, Aa2, Aa3, A1, A2**
Fitch	**AAA, AA+, AA, AA-, A+, A**

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest: _____
Assistant Secretary

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01/05

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