NEW ISSUE—BOOK-ENTRY ONLY **Ratings: Fitch: "AAA" (MBIA Insured)**
Standard & Poor's: "AAA" (MBIA Insured)
(See "MISCELLANEOUS — Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds. See "TAX MATTERS" herein.

$44,881,415.65
ANAHEIM CITY SCHOOL DISTRICT
(County of Orange, California)
General Obligation Bonds, Election of 2002, Series 2007

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2007 Bonds are issued by the County of Orange, California (the "County") on behalf of the Anaheim City School District (the "District") (i) to finance specific construction and renovation projects approved by the voters; and (ii) to pay costs of issuance of the Series 2007 Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2007 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2007 BONDS" herein.

The Series 2007 Bonds are being issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds shall be issued in principal amounts of $5,000 or integral multiples thereof as shown below. Interest on the Current Interest Bonds is payable on each February 1 and August 1 to maturity, commencing on February 1, 2008. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds shall be issued in denominations of $5,000 maturity value or any integral multiple thereof.

The Series 2007 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2007 Bonds. Individual purchases of the Series 2007 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2007 Bonds purchased by them. See "THE SERIES 2007 BONDS – Form and Registration" herein. Payments of principal and accreted value of and interest on the Series 2007 Bonds will be made by the Paying Agent, initially U.S. Bank National Association, to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2007 Bonds. See "THE SERIES 2007 BONDS – Payment of Principal and Interest" herein.

The scheduled payment of principal (or, in the case of Capital Appreciation Bonds, the accreted value) of and interest on the Series 2007 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2007 Bonds by MBIA INSURANCE CORPORATION.

MBIA

The Series 2007 Bonds are subject to optional redemption prior to maturity as described herein. See "THE SERIES 2007 BONDS — Redemption" herein.

MATURITY SCHEDULE – See Inside Front Cover

The Series 2007 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. It is anticipated that the Series 2007 Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about February 13, 2007.

UBS Investment Bank

Dated: January 23, 2007

MATURITY SCHEDULE

BASE CUSIP[1]: 03254C

$9,710,000 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number[1]	Maturity (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Number[1]
2008	$495,000	3.750%	3.520%	CZ1	2015	$805,000	4.000%	3.780%	DG2
2009	680,000	4.000	3.540	DA5	2016	815,000	4.000	3.830	DH0
2010	690,000	4.000	3.560	DB3	2017	760,000	4.250	3.910	DJ6
2011	700,000	4.000	3.580	DC1	2018	830,000	4.000	4.030	DK3
2012	735,000	4.000	3.600	DD9	2019	835,000	4.000	4.110	DL1
2013	750,000	4.000	3.650	DE7	2020	825,000	4.125	4.190	DM9
2014	790,000	4.000	3.740	DF4					

$35,171,415.65 Capital Appreciation Bonds

Maturity (August 1)	Principal (Denominational) Amount	Accretion Rate	Maturity Value	Reoffering Yield	CUSIP Number[1]
2021	$ 431,352.80	4.490%	$ 820,000	4.490%	DN7
2022	388,205.25	4.520	775,000	4.520	DP2
2023	346,173.00	4.540	725,000	4.540	DQ0
2024	4,535,951.20	4.560	9,970,000	4.560	DR8
2025	4,474,132.25	4.580	10,325,000	4.580	DS6
2026	4,412,543.10	4.600	10,695,000	4.600	DT4
2027	4,348,709.50	4.620	11,075,000	4.620	DU1
2028	4,295,551.50	4.630	11,475,000	4.630	DV9
2029	4,240,686.85	4.640	11,885,000	4.640	DW7
2030	4,189,169.60	4.650	12,320,000	4.650	DX5
2031	3,508,940.60	5.350	12,770,000	4.660	DY3

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2007 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2007 Bonds are exempted from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2007 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 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 since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2007 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2007 BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

(THIS PAGE INTENTIONALLY LEFT BLANK)

ANAHEIM CITY SCHOOL DISTRICT
(COUNTY OF ORANGE, CALIFORNIA)

BOARD OF EDUCATION

Jerry Silverman
President

James Vanderbilt
Clerk

Sandra Blumberg
Member

Dr. Jose Moreno
Member

Susan Preus
Member

DISTRICT ADMINISTRATION

Sandra Barry
Superintendent

Carol A. Berg, Ph.D.
Deputy Superintendent, Administrative Services

SPECIAL SERVICES

Underwriter

UBS Securities LLC
San Francisco, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Paying Agent

U.S. Bank National Association
Los Angeles, California

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

Page

INTRODUCTION 1
THE SERIES 2007 BONDS 2
Authority for Issuance; Purpose 2
Form and Registration 2
Payment of Principal and Interest 2
Redemption 4
Unclaimed Moneys 5
Defeasance of Series 2007 Bonds 5
Application and Investment of Series 2007 Bond Proceeds 6
Estimated Sources and Uses of Funds 6
Debt Service 7
Aggregate Debt Service 8
SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2007 BONDS 9
General 9
Bond Insurance 9
Property Taxation System 9
Assessed Valuation of Property Within the District 9
Tax Rates 13
Tax Collections and Delinquencies 14
Direct and Overlapping Debt 16
BOND INSURANCE 19
The MBIA Insurance Corporation Insurance Policy 19
MBIA Insurance Corporation 20
Regulation 20
Financial Strength Ratings of MBIA 20
MBIA Financial Information 21
Incorporation of Certain Documents by Reference 21
TAX MATTERS 22
OTHER LEGAL MATTERS 24
Legal Opinion 24
Legality for Investment in California 24
Continuing Disclosure 24
No Litigation 24

TABLE OF CONTENTS
(continued)

Page

MISCELLANEOUS 25

Ratings 25

Professionals Involved in the Offering 25

Underwriting 26

APPENDIX A INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET A-1

APPENDIX B EXCERPTS FROM FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2006 .... B-1

APPENDIX C PROPOSED FORM OF OPINION OF BOND COUNSEL C-1

APPENDIX D FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1

APPENDIX E SUMMARY OF COUNTY OF ORANGE INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL E-1

APPENDIX F COUNTY INVESTMENT POLICY F-1

APPENDIX G BOOK-ENTRY ONLY SYSTEM G-1

APPENDIX H TABLES OF ACCRETED VALUES H-1

APPENDIX I FORM OF FINANCIAL GUARANTY INSURANCE POLICY I-1

$44,881,415.65
ANAHEIM CITY SCHOOL DISTRICT
(County of Orange, California)
General Obligation Bonds, Election of 2002, Series 2007

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $44,881,415.65 aggregate principal amount of Anaheim City School District General Obligation Bonds, Election of 2002, Series 2007 (the "Series 2007 Bonds"), consisting of $9,710,000.00 aggregate principal amount of current interest bonds (the "Current Interest Bonds") and $35,171,415.65 aggregate initial principal (denominational) amount of capital appreciation bonds (the "Capital Appreciation Bonds").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The Anaheim City School District (the "District") has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2007 Bonds. Quotations from and summaries and explanations of the Series 2007 Bonds, the resolutions of the Board of Education of the District and the Board of Supervisors of the County of Orange (the "County"), providing for the issuance and payment of the Series 2007 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2007 Bonds.

Copies of documents referred to herein and information concerning the Series 2007 Bonds are available from the District by contacting: Anaheim City School District, 1001 South East Street, Anaheim, California 92805. The District may impose a charge for copying, handling and mailing such requested documents.

The District began operations in 1876. The District is located in the city of Anaheim, approximately 30 miles south of downtown Los Angeles and 90 miles north of San Diego, and encompasses an area of approximately 22 square miles. The District currently operates 23 elementary schools, which are on a four-track, year-round schedule. Total fiscal year 2006-07 enrollment is approximately 19,918.

The District is governed by a five-member Board of Education (the "Board of Education"), each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Education who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Sandra Barry is the District Superintendent and has served in this position since 2000.

The District budgeted 2006-07 general fund expenditures of approximately $170.5 million dollars. As of June 30, 2006, the District employed 2,007 employees, consisting of 1,107 non-management certificated employees, 94 certificated management employees, 780 classified non-management employees, and 26 classified management employees.

For additional information about the District, see APPENDIX A: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET."

THE SERIES 2007 BONDS

Authority for Issuance; Purpose

The Series 2007 Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Series 2007 Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on November 14, 2006 (the "Resolution"), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on October 23, 2006.

The District received authorization at an election held on March 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed $111,000,000 to finance specific construction and modernization projects approved by the voters, summarized as follows: "the renovation, construction, acquisition and improvement of local school facilities and land, including replacing outdated wiring, lighting, plumbing and sewer systems, building permanent classrooms and new schools." The measure required approval by at least 55% of the votes cast by eligible voters within the District, and received a vote of 63.2% (the "Authorization"). On July 9, 2002, the Anaheim City School District General Obligation Bonds, Election of 2002, Series 2002 (the "Series 2002 Bonds"), in an aggregate principal amount of $32,465,000, were issued as the first series of bonds to be issued under the Authorization. On June 20, 2004, the Anaheim City School District General Obligation Bonds, Election of 2002, Series 2004 (the "Series 2004 Bonds"), in an aggregate principal amount of $33,653,461.45, were issued as the second series of bonds to be issued under the Authorization. On July 21, 2005, the Anaheim City School District 2005 General Obligation Refunding Bonds (the "Series 2005 Refunding Bonds"), in an aggregate principal amount of $63,452,338.60, were issued to advance refund a portion of the Series 2002 Bonds and the Series 2004 Bonds and generate additional proceeds to finance capital projects. The Series 2007 Bonds represent the third and final series of the authorized bonds to be issued under the Authorization and will be issued to finance authorized projects.

Form and Registration

The Series 2007 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount (or maturity value) or integral multiples thereof. The Series 2007 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2007 Bonds. Purchases of Series 2007 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2007 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2007 Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX G: "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Current Interest Bonds. The Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on

February 1 and August 1 of each year (each, an "Interest Date"), commencing on February 1, 2008, computed using a year of 360 days, comprising twelve 30-day months. Current Interest Bonds authenticated and registered on any date prior to the close of business on January 15, 2007, shall bear interest from their dated of date. Current Interest Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Date (the "Record Date") and the close of business on that Interest Date shall bear interest from that Interest Date. Any other Current Interest Bond shall bear interest from the Interest Date immediately preceding the date of its authentication. If, at the time of authentication of any Current Interest Bond, interest is then in default on outstanding Series 2007 Bonds, such Series 2007 Bond shall bear interest from the Interest Date to which interest has previously been paid or made available for payment thereon.

Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Capital Appreciation Bond will increase in value by the accumulation of earned interest from its initial principal (denominational) amount on the date of issuance (as stated on the inside front cover page of this Official Statement) to its maturity value on the date of maturity ("Maturity Value"), as stated on the inside front cover page of this Official Statement. Interest commences to accrue on the date of delivery, and is compounded on each Interest Date, commencing August 1, 2007.

The rate of interest at which a Capital Appreciation Bond's Maturity Value is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover page of this Official Statement. For any Capital Appreciation Bond, the imputed value of principal plus accrued interest on any given Interest Date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days, comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Tables of Accreted Values shown in Appendix H hereto, in order to provide the imputed value per $5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity. See "TAX MATTERS" herein for Bond Counsel's discussion of the federal tax treatment of accrued interest on the Capital Appreciation Bonds.

The principal of the Current Interest Bonds and the Maturity Value of the Capital Appreciation Bonds is payable upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, the paying agent, registrar and transfer agent with respect to the Series 2007 Bonds (the "Paying Agent"), at the maturity thereof or upon redemption prior to maturity. Payment of interest on any Current Interest Bond on each Interest Date (or on the following business day, if the Interest Date does not fall on a business day) shall be made to the person appearing on the registration books of the Paying Agent, as the registered owner thereof (the "Owner") as of the preceding Record Date, such interest to be paid by check or draft mailed to the Owner at the Owner's address as it appears on the registration books, or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of $1,000,000 or more of Current Interest Bonds may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date.

The interest, principal and premiums, if any, on the Series 2007 Bonds shall be payable in lawful money of the United States of America from moneys on deposit in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"), consisting of *ad valorem* taxes collected and held by the Treasurer-Tax Collector of the County (the "County Treasurer"), together with any premium and accrued interest received upon issuance of the Series 2007 Bonds. So long as all outstanding Series 2007 Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Series 2007 Bonds and all notices with respect to such Series 2007 Bonds shall be made and given to such securities depository or its nominee and not to beneficial owners. So long as the Series 2007 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G: "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Current Interest Bonds maturing on or before August 1, 2017, are not subject to redemption prior to their respective stated maturity dates. Current Interest Bonds maturing on and after August 1, 2018, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds shall not be subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption. The Series 2007 Bonds shall not be subject to mandatory sinking fund redemption prior to maturity.

Selection of Series 2007 Bonds for Redemption. If less than all of the Series 2007 Bonds are called for redemption, such Series 2007 Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District). Whenever less than all of the outstanding Series 2007 Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series 2007 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2007 Bond shall be deemed to consist of individual Series 2007 Bonds of $5,000 denominations each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2007 Bond will be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners of any Series 2007 Bond designated for redemption at their addresses appearing on the bond registration books; (ii) by secured mail to all organizations registered with the Securities and Exchange Commission as securities depositories; (iii) to at least two information services of national recognition which disseminate redemption information with respect to municipal securities; and (iv) as may be further required in accordance with the Continuing Disclosure Certificate of the District. See APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2007 Bonds and the date of issue of the Series 2007 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Series 2007 Bonds to be redeemed; (vi) (if less than all of the then-outstanding Series 2007 Bonds are to be called for redemption) the distinctive serial numbers of the Series 2007 Bonds of each maturity to be redeemed; (vii) (in the case of Series 2007 Bonds redeemed in part only) the respective portions of the principal amount of the Series 2007 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2007 Bonds to be redeemed; (ix) a statement that such Series 2007 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or such other location as the Paying Agent may specify; and (x) notice that further interest on such Series 2007 Bonds will not accrue after the designated redemption date. The actual receipt by the Owner of any Series 2007 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2007 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as provided for in the Resolution, and when the redemption price of the Series 2007 Bonds called for redemption is set aside for the purpose as described in the Resolution, the Series 2007 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2007 Bonds at the place specified in the notice of redemption, such Series 2007 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2007 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2007 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the Interest and Sinking Fund of the District or the escrow fund established for such purpose. All Series 2007 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2007 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2007 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2007 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Unclaimed Moneys

Any money held in any fund created pursuant to the Resolution, or by the Paying Agent in trust, for the payment of the principal of, redemption premium, if any, or interest on the Series 2007 Bonds and remaining unclaimed for two years after the principal of all of the Series 2007 Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Series 2007 Bonds

The District may pay and discharge any or all of the Series 2007 Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2007 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Application and Investment of Series 2007 Bond Proceeds

The proceeds from the sale of the Series 2007 Bonds (other than any premium or accrued interest received by the District) will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund"). Any premium or accrued interest received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund.

All funds held by the County Treasurer in the Building Fund are expected to be invested on behalf of the District by the County Treasurer in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of the County. See APPENDIX E: "SUMMARY OF COUNTY OF ORANGE INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL" and APPENDIX F: "COUNTY INVESTMENT POLICY." The District may direct that certain investments in the Building Fund be deposited with a state or national bank or trust company located within the State or with the Federal Reserve Bank of San Francisco or any branch thereof within the State, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System in accordance with Sections 41015 and 41016 of the California Education Code.

Estimated Sources and Uses of Funds

The proceeds of the Series 2007 Bonds are expected to be applied as follows:

ANAHEIM CITY SCHOOL DISTRICT
General Obligation Bonds, Election of 2002, Series 2007

Estimated Sources and Uses of Funds

Sources of Funds	
Par Amount of Series 2007 Bonds	$44,881,415.65
Net Original Issue Premium	730,704.15
Total Sources	$45,612,119.80
Uses of Funds	
Deposit to Building Fund	$44,881,415.65
Costs of Issuance[(1)]	710,814.16
Deposit to Interest and Sinking Fund[(2)]	19,889.99
Total Uses	$45,612,119.80

(1) Includes Underwriter's discount, bond counsel fees, disclosure counsel fees, rating agency fees, bond insurance premium, printing fees and other miscellaneous expenses.
(2) Consists of premium received by the District.

Debt Service

Debt service on the Series 2007 Bonds, assuming no early redemptions, is as shown in the following table.

ANAHEIM CITY SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
Series 2007 Bonds Debt Service

	Current Interest Bonds		Capital Appreciation Bonds		
Year (ending August 1)	Principal	Interest	Principal	Interest Paid at Maturity	Annual Debt Service
2008	$ 495,000.00	$ 572,137.51	$ -	$ -	$ 1,067,137.51
2009	680,000.00	371,531.26	-	-	1,051,531.26
2010	690,000.00	344,331.26	-	-	1,034,331.26
2011	700,000.00	316,731.26	-	-	1,016,731.26
2012	735,000.00	288,731.26	-	-	1,023,731.26
2013	750,000.00	259,331.26	-	-	1,009,331.26
2014	790,000.00	229,331.26	-	-	1,019,331.26
2015	805,000.00	197,731.26	-	-	1,002,731.26
2016	815,000.00	165,531.26	-	-	980,531.26
2017	760,000.00	132,931.26	-	-	892,931.26
2018	830,000.00	100,631.26	-	-	930,631.26
2019	835,000.00	67,431.26	-	-	902,431.26
2020	825,000.00	34,031.26	-	-	859,031.26
2021	-	-	431,352.80	388,647.20	820,000.00
2022	-	-	388,205.25	386,794.75	775,000.00
2023	-	-	346,173.00	378,827.00	725,000.00
2024	-	-	4,535,951.20	5,434,048.80	9,970,000.00
2025	-	-	4,474,132.25	5,850,867.75	10,325,000.00
2026	-	-	4,412,543.10	6,282,456.90	10,695,000.00
2027	-	-	4,348,709.50	6,726,290.50	11,075,000.00
2028	-	-	4,295,551.50	7,179,448.50	11,475,000.00
2029	-	-	4,240,686.85	7,644,313.15	11,885,000.00
2030	-	-	4,189,169.60	8,130,830.40	12,320,000.00
2031	-	-	3,508,940.60	9,261,059.40	12,770,000.00
Total:	$9,710,000.00	$3,080,412.63	$35,171,415.65	$57,663,584.35	$105,625,412.63

Aggregate Debt Service

Debt service on all of the District's outstanding general obligation bonds, including the Series 2007 Bonds, assuming no early redemptions, is as shown in the following table.

ANAHEIM CITY SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
Aggregate Debt Service

Year (ending August 1)	Series 2002 Bonds	Series 2004 Bonds	Series 2005 Refunding Bonds	Series 2007 Bonds	Total Annual Debt Service
2007	$ 854,075.00	$ 771,750.00	$ 3,077,381.26	$ -	$ 4,703,206.26
2008	208,562.50	-	4,401,581.26	1,067,137.51	5,677,281.27
2009	277,787.50	75,000.00	4,476,493.76	1,051,531.26	5,880,812.52
2010	353,787.50	160,000.00	4,542,181.26	1,034,331.26	6,090,300.02
2011	431,600.00	245,000.00	4,613,806.26	1,016,731.26	6,307,137.52
2012	-	335,000.00	5,178,437.50	1,023,731.26	6,537,168.76
2013	-	430,000.00	5,329,500.00	1,009,331.26	6,768,831.26
2014	-	-	5,989,500.00	1,019,331.26	7,008,831.26
2015	-	-	6,259,500.00	1,002,731.26	7,262,231.26
2016	-	-	6,539,500.00	980,531.26	7,520,031.26
2017	-	955,000.00	5,943,000.00	892,931.26	7,790,931.26
2018	-	-	7,141,000.00	930,631.26	8,071,631.26
2019	-	-	7,459,750.00	902,431.26	8,362,181.26
2020	-	-	7,799,750.00	859,031.26	8,658,781.26
2021	-	-	8,148,500.00	820,000.00	8,968,500.00
2022	-	-	8,514,000.00	775,000.00	9,289,000.00
2023	-	-	8,898,750.00	725,000.00	9,623,750.00
2024	-	-	-	9,970,000.00	9,970,000.00
2025	-	-	-	10,325,000.00	10,325,000.00
2026	-	-	-	10,695,000.00	10,695,000.00
2027	-	-	-	11,075,000.00	11,075,000.00
2028	-	-	-	11,475,000.00	11,475,000.00
2029	-	-	-	11,885,000.00	11,885,000.00
2030	-	-	-	12,320,000.00	12,320,000.00
2031	-	-	-	12,770,000.00	12,770,000.00
Total:	$2,125,812.50	$2,971,750.00	$104,312,631.30	$105,625,412.63	$215,035,606.43

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2007 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2007 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Bond Insurance

The scheduled payment of principal (or, in the case of Capital Appreciation Bonds, the accreted value) of and interest on the Series 2007 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2007 Bonds by MBIA Insurance Corporation. See "BOND INSURANCE" herein.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2006-07 assessed value of $18,276,655,865. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below under the heading, *State-Assessed Property*.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property. Shown in the following table is the assessed valuation of the various classes of property in the District in recent years.

Anaheim City School District
Assessed Valuations
Fiscal Years 2002-03 through 2006-07

Fiscal Year	Local Secured	Utility	Unsecured	Total
2002-03	$12,276,478,617	$5,768,961	$2,459,763,300	$14,742,010,878
2003-04	12,525,993,346	4,936,682	1,089,977,810[1]	13,620,907,838[1]
2004-05	13,346,536,572	4,678,192	1,024,421,581	14,375,636,345
2005-06	14,500,745,453	4,630,183	1,001,099,741	15,506,475,377
2006-07	15,992,724,801	4,027,719	2,279,903,345	18,276,655,865

Source: California Municipal Statistics, Inc.

(1) The substantial decrease in the District's unsecured assessed valuation in fiscal year 2003-04 was primarily due to the construction of Walt Disney World's California Adventure and Downtown Disney projects and an audit of the Disneyland Resort Property which covered the four years these projects were under construction (1994 to 1997). The County generally audits large business parcels every four years to get a more detailed look at the conditions of the subject property and any changes in assessed valuation are applied retroactively. In this case, the County's audit resulted in an increase of the property's unsecured assessed valuation of approximately $1.57 billion in fiscal year 2002-03. After the County's review, however, Walt Disney World provided additional information indicating that approximately $1.45 billion of the increase should be cancelled. The County Assessor's office indicated that several years of construction confused an already complicated valuation process and that the way certain improvements were originally reported made it appear that they were new when, in fact, they had just been moved from one area of the resort to another. The County has indicated that the unsecured assessed valuations relating to the Disneyland Resort Property may change again, up or down. The District is unable to predict these changes. See also "–Largest Taxpayers in District" below.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is estimated at $228,458,198 and its net bonding capacity is approximately $162,727,398 (taking into account current outstanding debt before issuance of the Series 2007 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the 2006-07 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

Anaheim City School District
Assessed Valuation and Parcels by Land Use

	2006-07 Assessed Valuation		2006-07 Taxable Parcels	
Non-Residential:	Secured Valuation[1]	% of Total	Number of Parcels	% of Total
Agricultural	$ 11,226,492	0.07%	62	0.13%
Commercial/Office/Recreational	5,779,004,744	36.14	2,714	5.86
Vacant Commercial	106,661,176	0.67	354	0.76
Industrial	1,791,644,607	11.20	819	1.77
Vacant Industrial	45,484,263	0.28	54	0.12
Government/Social/Institutional	64,201,094	0.40	629	1.36
Miscellaneous	1,092,278	0.01	107	0.23
Subtotal Non-Residential	$ 7,799,314,654	48.77%	4,739	10.23%
Residential:				
Single Family Residence	$ 5,800,294,786	36.27%	25,890	55.91%
Condominium/Townhouse	649,951,496	4.06	3,562	7.69
Mobile Home Related	136,318,134	0.85	154	0.33
2+ Residential Units	1,353,279,646	8.46	2,201	4.75
Timeshare	31,822,152	0.20	8,110	17.51
Vacant Residential	221,743,933	1.39	1,652	3.57
Subtotal Residential	$ 8,193,410,147	51.23%	41,569	89.77%
TOTAL	$15,992,724,801	100.00%	46,308	100.00%

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2006-07 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

Anaheim City School District
Twenty Largest
Fiscal Year 2006-07 Local Secured Taxpayers

	Property Owner	Primary Land Use	2004-05 Assessed Value	Percent of Total[1]
1.	Walt Disney World	Theme Park and Hotel	$3,384,309,992	21.16%
2.	Lennar Platinum Triangle	Industrial	137,255,326	0.86
3.	Anaheim Hotel Partnership	Hotel	99,034,860	0.62
4.	CA-Orange LP	Commercial Building	75,560,191	0.47
5.	Angeli LLC	Commercial Building	75,248,703	0.47
6.	Joan M. Schlund	Mobilehome Park	73,862,651	0.46
7.	MacQuarrie Office Stadium	Commercial Building	72,522,000	0.45
8.	Pan Pacific Retail Properties Inc.	Commercial Building	69,585,483	0.44
9.	Anaheim Corporate Office Plaza LP	Commercial Building	68,150,000	0.43
10.	Rreef America REIT II Corp.	Industrial	67,767,039	0.42
11.	Anaheim Angles LP	Recreational	65,337,120	0.41
12.	Anaheim Arena Management LLC	Recreational	62,325,922	0.39
13.	Norman R. and Soon J. Smith	Apartments	60,505,433	0.38
14.	P.C. & R.S. Chao Family LP	Commercial Building	56,726,741	0.35
15.	Ken Real Estate Lease Ltd.	Commercial Building	56,462,100	0.35
16.	Prologis California I LLC	Industrial	51,598,800	0.32
17.	EOP-Stadium Towers LLC	Commercial Building	47,459,118	0.30
18.	Weyerhaeuser Co.	Industrial	43,454,029	0.27
19.	SY Ventures I LLC	Commercial Building	39,284,471	0.25
20.	NMC Anaheim LLC	Commercial Building	35,932,199	0.22
			$4,642,382,178	29.03%

[1] 2006-07 Local Secured Assessed Valuation: $15,992,724,801
Source: California Municipal Statistics, Inc.

Walt Disney World and other large taxpayers in the District routinely file applications for reassessment of both secured and unsecured property within the District seeking to reduce their current secured assessed valuation. Although large taxpayers often submit applications for reassessment which result in little or no change, some may result in large fluctuations of assessed valuation. For information regarding a reduction of $1.45 billion of Walt Disney World's unsecured assessed valuation, see footnote 1 to the Assessed Valuation tables under "–Assessed Valuation of Property within the District" above. Neither the District nor the County can predict whether all or any part of any particular reduction sought will be granted. If any applications are successful, the total assessed value of taxable property within the District would be reduced requiring an increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2007 Bonds. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" for a discussion of other limitations on the valuation of real property with respect to ad valorem taxes.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2007 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2007 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2007 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The following table shows *ad valorem* property tax rates for the last several years in a typical Tax Rate Area of the District (TRA 1-007). TRA 1-007 comprises approximately 62.9% of the total assessed value of taxable property in the District:

Anaheim City School District
Typical Tax Rate per $100 Assessed Valuation (TRA 1-007)
Fiscal Years 2002-2003 Through 2006-07

	2002-03	2003-04	2004-05	2005-06	2006-07
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Metropolitan Water District	.00670	.00610	.00580	.00520	.00470
City of Anaheim	.00287	.00345	.00301	.00267	.00225
Anaheim City School District	.02846	.02495	.02641	.02811	.02240
Anaheim High School District	.02567	.02370	.02770	.02444	.02355
North Orange County Joint Community College District	.01573	.01597	.01441	.01666	.01444
Total	1.07943%	1.07417%	1.07733%	1.07708%	1.06734%

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2007 Bonds to be approved by a 55% popular vote, bonds approved by the District's voters at the March 5, 2002, election may not be issued unless the District projects that repayment of all outstanding bonds approved at the election will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2007 Bonds, the District projects that the maximum tax rate required to repay the Series 2007 Bonds and all other outstanding bonds approved at the March 5, 2002, election will be within that legal limit. The tax-rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2007 Bonds in each year.

Tax Collections and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in Fiscal Year 1978-79, as adjusted according to a complicated statutory scheme enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2007 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

Under California law, a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. Taxes collected for payment of debt service on school bonds are not affected or diverted by the operation of a redevelopment agency project area. Some school districts have negotiated "pass-through agreements" with their local redevelopment agencies, entitling the district to receive a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on redevelopment agency tax-increment bonds). In some cases the pass-through is mandated by statute (in which case it cannot be pledged to pay redevelopment agency bonds). The net effect on district revenues depends on whether or not the State makes a district whole for the loss of local property tax revenue. See APPENDIX A: "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET—DISTRICT FINANCIAL MATTERS—Local Sources of Education Funding."

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a ten percent penalty attaches. If taxes remain unpaid by June 30, the tax is deemed to be in default. Penalties then begin to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer.

Property taxes on the unsecured roll are due in one payment on January 1 and become delinquent after August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table shows real property tax charges and delinquencies in the District for the fiscal years 2001-02 through 2005-06.

Anaheim City School District
Secured Tax Charges and Delinquencies
Fiscal Years 2001-02 through 2005-06

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent June 30	Percent Delinquent June 30
2001-02	$34,264,211.77	$750,179.50	2.19%
2002-03	42,261,845.26	791,616.61	1.87
2003-04	39,600,730.86	598,991.40	1.51
2004-05	43,463,353.29	798,699.78	1.84
2005-06	46,467,203.04	1,108,776.61	2.39

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

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 now 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 provides 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 adopted the Teeter Plan on June 29, 1993. The County's Teeter Plan applies to the District and to the Series 2007 Bonds.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Series 2007 Bonds is subject to the Teeter Plan, beginning in 2007-08. The District will receive 100% of the *ad valorem* property tax levied to pay the Series 2007 Bonds irrespective of actual delinquencies in the collection of the tax by the County.

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.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. for debt issued as of October 1, 2006. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

ANAHEIM CITY SCHOOL DISTRICT
Statement Of Direct And Overlapping Bonded Debt
As of January 16, 2007

2006-07 Assessed Valuation:	$18,276,655,865
Redevelopment Incremental Valuation:	1,057,525,064
Adjusted Assessed Valuation:	$17,219,130,801

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/07
Orange County Teeter Plan Obligations	5.055%	$6,254,299
Metropolitan Water District	1.059	4,125,493
North Orange County Joint Community College District	23.488	55,930,565
Anaheim Union High School District	62.549	78,911,165
Anaheim City School District	100.	65,730,800[(1)]
City of Anaheim	59.375	3,384,375
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$214,336,697
OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Orange County General Fund Obligations	5.055%	$31,024,557
Orange County Pension Obligations	5.055	4,544,095
Orange County Board of Education Certificates of Participation	5.055	1,001,901
Orange County Transit District Authority	5.055	62,429
Municipal Water District of Orange County Water Facilities Corporation	0.009	1,872
Orange County Sanitation District Certificates of Participation	6.840	8,051,022
Anaheim Union High School District Certificates of Participation	62.549	24,478,551
City of Anaheim General Fund Obligations	59.375	380,887,367
Other City General Fund Obligations	Various	80,978
Orange County Fire Authority General Fund Obligations	0.001	136
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		$450,132,908
Less: Orange County Transit District Authority (80% self-supporting)		49,943
MWDOC Water Facilities Corporation (100% self-supporting)		1,872
City of Anaheim self-supporting bonds		364,982,101
City of Fullerton self-supporting bonds		2,907
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$85,096,085
GROSS COMBINED TOTAL DEBT		$664,469,605[(2)]
NET COMBINED TOTAL DEBT		$299,432,782

[(1)] Excludes Series 2007 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.

Ratios to 2006-07 Assessed Valuation:
Direct Debt ($65,730,800)..0.36%
Total Direct and Overlapping Tax and Assessment Debt.... 1.17%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt.. 3.86%
Net Combined Total Debt.. 1.74%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: $0

Source: California Municipal Statistics, Inc.

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement, and the District takes no responsibility for the accuracy or completeness thereof. Reference is made to Appendix I: "FORM OF FINANCIAL GUARANTY INSURANCE POLICY" for a specimen of the Policy (as defined below).

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix I for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds.

The MBIA 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 Series 2007 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 MBIA 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 Series 2007 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").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2007 Bonds. MBIA's 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 Series 2007 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Series 2007 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2007 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 MBIA from the Paying Agent or any owner of a Series 2007 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA 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 Series 2007 Bonds or presentment of such other proof of ownership of the Series 2007 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2007 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2007 Bonds in any legal proceeding related to payment of insured amounts on the Series 2007 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 Series 2007 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") 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 MBIA. MBIA 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. MBIA, 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 MBIA 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, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA 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 MBIA "Aaa."

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

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA 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 Series 2007 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 Series 2007 Bonds. MBIA does not guaranty the market price of the Series 2007 Bonds nor does it guaranty that the ratings on the Series 2007 Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of $11.0 billion (audited), total liabilities of $7.2 billion (audited), and total capital and surplus of $3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2006, MBIA had admitted assets of $11.5 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $4.4 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA 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 and the consolidated financial statements of MBIA and its subsidiaries as of September 30, 2006 and for the nine month periods ended September 30, 2006 and September 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2006, 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 MBIA 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 MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

Any documents, including any financial statements of MBIA 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 Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2007 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 (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 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 MBIA at its principal executive offices.

In the event MBIA 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.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2007 Bonds is less than the amount to be paid at maturity of such Series 2007 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2007 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2007 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2007 Bonds is the first price at which a substantial amount of such maturity of the Series 2007 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2007 Bonds accrues daily over the term to maturity of such Series 2007 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2007 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2007 Bonds. Beneficial owners of the Series 2007 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2007 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2007 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2007 Bonds is sold to the public.

Series 2007 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2007 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2007 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2007 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2007 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2007 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2007 Bonds.

Certain requirements and procedures contained or referred to in the Resolution, the Tax Certificate of the District dated the date of issuance of the Series 2007 Bonds, and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Series 2007 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2007 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2007 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2007 Bonds. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2007 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2007 Bonds ends with the issuance of the Series 2007 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the Series 2007 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007 Bonds, and may cause the District or the beneficial owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2007 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2007 Bonds substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in California

Under provisions of the California Financial Code, the Series 2007 Bonds are legal investments for commercial banks in California to the extent that the Series 2007 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code of the State, are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Series 2007 Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2006-07 Fiscal Year (which is due no later than April 1, 2008) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository, and with the State information repository, if any. The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository or with the Municipal Securities Rulemaking Board, and with the State information repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2007 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2007 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of County officers who will execute the Series 2007 Bonds or District or County officials who will sign the Series 2007 Bonds and certifications relating to the Series 2007 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2007 Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

Fitch Ratings ("Fitch") and Standard & Poor's Rating Services ("Standard & Poor's") have assigned their respective insured municipal bond ratings of "AAA" and "AAA" to the Series 2007 Bonds with the understanding that, upon delivery of the Series 2007 Bonds the Policy will be delivered by MBIA. In addition, Fitch and Standard & Poor's have assigned underlying ratings of "AA" and "A", respectively, to the Series 2007 Bonds. These ratings reflect these rating agencies' views of the credit worthiness of MBIA. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The ratings reflect only the view of the rating agency furnishing the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Series 2007 Bonds There is no assurance that any ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2007 Bonds.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel to the District and as Disclosure Counsel with respect to the Series 2007 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2007 Bonds.

Underwriting

The Series 2007 Bonds are being purchased for reoffering to the public by UBS Securities LLC (the "Underwriter"), pursuant to the terms of a purchase contract executed on January 23, 2007, by and between the District and the Underwriter (the "Purchase Contract"). The Underwriter has agreed to purchase the Series 2007 Bonds at a price of $44,901,305.64 (consisting of the aggregate principal amount thereof, $44,881,415.65, plus net original issue premium of $730,704.15, less Underwriter's discount of $448,814.16, and less costs of issuance the Underwriter has agreed to pay on behalf of the District in the amount of $262,000.00). The Purchase Contract provides that the Underwriter will purchase all of the Series 2007 Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2007 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

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

ANAHEIM CITY SCHOOL DISTRICT

By: /s/ Sandra Barry
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Anaheim City School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2007 Bonds is payable from the General Fund of the District or from State revenues. The Series 2007 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Series 2007 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2007 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District began operations in 1876. The District is located in the city of Anaheim, approximately 30 miles south of downtown Los Angeles and 90 miles north of San Diego, and encompasses an area of approximately 22 square miles. The District currently operates 23 elementary schools, which are on a four-track, year-round schedule. Total fiscal year 2006-07 enrollment is approximately 19,918.

The District is governed by a five-member Board of Education (the "Board of Education"), each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board of Education who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Sandra Barry is the District Superintendent and has served in this position since 2000.

The District budgeted 2006-07 general fund expenditures of approximately $170.5 million dollars. As of June 30, 2006, the District employed 2,007 employees, consisting of 1,107 non-management certificated employees, 94 certificated management employees, 780 classified non-management employees, and 26 classified management employees.

Board of Education

Current members of the Board, together with their office and the date their term expires, are listed below:

Board Member	Office	Term Expires
Jerry Silverman	President	November 30, 2010
James Vanderbilt	Clerk	November 30, 2008
Sandra Blumberg	Member	November 30, 2010
Dr. Jose Moreno	Member	November 30, 2010
Susan Preus	Member	November 30, 2008

Superintendent and Administrative Personnel

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board and for the supervision of the District's other key personnel. The District's Superintendent and certain key administrative personnel are as follows:

Sandra Barry, Superintendent. Mrs. Barry has worked in the District for 10 years, nearly seven as Superintendent. She began her educational career in the County 38 years ago as a junior high English and French teacher and was quickly promoted to Director of Educational Services, Assistant Superintendent, then Deputy Superintendent. She served the District as a deputy superintendent before assuming the superintendency.

Mrs. Barry is active in the Anaheim community, serving on the Board of Directors of the Tiger Woods Learning Center, Anaheim Chamber of Commerce, Women's Division of the Anaheim Chamber of Commerce, Anaheim Family YMCA, Leadership Anaheim, Salvation Army, and Police Chief Community Advisory Board. Her work in the Anaheim and Buena Park communities has earned her the Woman of Vision Award (We Give Thanks, Inc., of Anaheim) and the Woman of Achievement Award from the City of Buena Park. The International Dare Officers' Association honored her with a Distinguished Educator of the Year Award, and she currently serves as the County Superintendents' Liaison to the Proposition 10 Orange County Children and Families Commission. Mrs. Barry has been Vice President for Programs for Region 17 (ACSA), and was a three-year member of the ACSA State Elementary Curriculum Committee. She is currently serving a second term on the ACSA State Superintendents' Symposium Planning Committee.

Mrs. Barry hails from Nebraska where she earned her undergraduate degree from Nebraska Wesleyan University. She received her Master's from California State University, Fullerton. She and her husband, Ron, have one son, Jeffrey, a student at Loyola Law School.

Carol A. Berg, Ph.D., Deputy Superintendent, Administrative Services. Dr. Berg joined the District as Deputy Superintendent, Administrative Services, in July 2005. Prior to this, Dr. Berg was the executive vice president of School Services of California, acting as a consultant to K-14 schools throughout the State since 1994. In this capacity, Dr. Berg served as the fiscal advisor to school districts and county offices that were in financial trouble.

Dr. Berg began her career as a teacher in the Newport-Mesa Unified School District ("NMUSD"), where she also served as an assistant principal, principal, and director of certificated personnel. In addition, Dr. Berg was NMUSD's assistant superintendent of personnel, assistant superintendent of curriculum, chief business officer (CBO), and deputy superintendent.

A graduate of College of the Holy Names in Oakland, Dr. Berg received her master's degree in educational management systems from Chapman University and earned her doctorate of philosophy in human behavior and leadership from United States International University in San Diego.

An adjunct professor in the CBO certificate program at USC, Dr. Berg trains aspiring administrators in the areas of budget leadership, negotiations, curriculum development, instructional methodologies, and strategies for change.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, District operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local ad valorem property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. In the Fiscal Years ended June 30, 2005 and June 30, 2006, the District received approximately 87% and 86%, respectively, of its general fund revenues from State funds. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State Budget. The Governor signed the 2006-07 Budget Act on June 30, 2006.

On May 29, 2002, the State Court of Appeal held in *White v. Davis* (also referred to as *Jarvis v. Connell*) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, or (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The court specifically held that the State Constitution does not mandate or otherwise provide for appropriations for school districts without an adopted budget. Nevertheless, the Controller believes that statutory implementation of the constitutional school funding formula provides for a continuing appropriation of State funding for schools, and has indicated that payment of such amounts would continue during a budget impasse. Special and categorical funds would not be appropriated until a budget or emergency appropriation is adopted. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White* decision to have any long-term effect on its operating budgets.

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. A brief description of the adopted State budget for 2006-07 is included below. However, the District cannot predict how State income or State education funding will vary over the entire term to maturity of the Series 2007 Bonds, and the District takes no responsibility for informing owners of the Series 2007 Bonds as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget". An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information contained in the websites referred to herein is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such references.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs.

The guaranteed funding amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as the various factors change. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow. On average, about 40% of State general fund tax proceeds are currently spent on the State's share of Proposition 98 funding.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State general fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by permanently deferring year-end apportionments of Proposition 98 funds from June 30 to July 2, to reduce the ending fiscal year's base; by suspending Proposition 98, as the State did in 2004-05.

Existing settle-up obligations are estimated by the Legislative Analyst to total $4.3 billion, consisting of $1.3 billion for 2005-06, $1.6 billion for 2004-05, and $1.4 billion for prior years. Under current law, the obligations for the prior years, 1995-96 through 2003-04, will be repaid to the education budget at $150 million per year beginning in 2006-07. The California Teachers' Association filed a lawsuit against Governor Schwarzenegger in 2005 seeking to force the State to fund schools the full amount of the outstanding obligations. The parties have agreed to a settlement of this dispute through additional annual funding of approximately $400 million for seven years, commencing in 2007-08. Settlement funds are dedicated to class-size reduction, professional development, hiring counselors, and other specific expenditures for participating low-achieving schools.

Recent State Budget Difficulties and Initiative Responses. Since early 2001, structural imbalances in State revenues versus expenditures have created significant financial challenges for the State. The three main traditional sources of State tax revenues, personal income taxes, sales and use taxes, and corporate taxes, suffered disproportionately in the most recent economic downturn, revealing inherent weakness in the State's reliance on them. Meanwhile, large portions of the State's expenditure budget are relatively fixed, causing a perennial revenue shortfall and an accumulated deficit in the tens of billions of dollars. Two measures intended to address the existing cumulative budget deficit and to implement structural reform were approved at the March 2, 2004 statewide primary election. The California Economic Recovery Bond Act (Proposition 57) authorized the issuance of up to $15 billion of bonds to finance the State negative general fund reserve balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The Balanced Budget Amendment (Proposition 58) requires the State to adopt and maintain a balanced budget and establish a reserve, and restricts future long-term deficit-related borrowing. The State has issued $10.896 billion of the authorized Economic Recovery Bonds.

Proposition 1A. Beginning in 1992-93, the State has satisfied a portion of its Proposition 98 obligations by shifting part of the 1% local ad valorem property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. In response to a statewide ballot initiative sponsored by affected local agencies, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election.

Proposition 1A is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Beginning in Fiscal Year 2008-09, the State will be able to divert up to 8% of local property tax revenues for State purposes (including, but not limited to, funding K through 12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency; (ii) two-thirds of both houses of the Legislature approve the action; (iii) the amount diverted is required by statute to be repaid within three years; (iv) the State does not owe any repayment to local agencies for past property tax or Vehicle License Fee diversions to local agencies; and (v) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, school and college districts that receive Proposition 98 funding from the State will be more directly dependent upon the State's general fund.

2006-07 Governor's Budget. The Governor signed the State's 2006-07 Fiscal Year budget on June 30, 2006, although subsequent legislation may affect final budget totals. The following information relating to the funding of K-12 education is adapted from the budget summary prepared by Legislative Analyst's Office. The budget includes Proposition 98 funding for K-12 schools and community colleges of approximately $55.1 billion, an increase of about 10.3% from the enacted 2005-06 spending level, and approximately $600 million more than the Proposition 98 minimum guarantee. New, ongoing enhancements to K-12 expenditures total $4.5 billion, including $2.6 billion in both statutory and discretionary cost-of-living adjustments (5.92%) to district revenue limits and most categorical programs; an increase of $426 million to implement Proposition 49 (After-School Education and Safety Program); $350 million to address the inequities in revenue limit funding levels across school districts; $350 million to the Economic Impact Aid Program to educate economically disadvantaged and English learner students; $309 million to eliminate the revenue limit "deficit factor" for school districts and county offices of education; $200 million for school counselors; $105 million for a new arts and music block grant; $67 million for additional subsidized child care; $50 million to expand preschool programs, and $50 million for supplemental instruction for 11th- and 12th-grade students who have not passed the High School Exit Exam. The budget also includes an additional $2.5 billion for K-12 schools in one-time funds, including $927 million for mandated State reimbursements to school districts deferred from prior years; $584 million in discretionary block grants for instructional materials, maintenance, professional development and fiscal obligations; $500 million in grants for supplies and equipment for art, music and physical education; $137 million of Williams v. State of California settlement funds for emergency facilities repairs to the State's neediest schools, and $100 million in grants for instructional materials, library materials, or one-time educational costs.

The budget does not include an appropriation for settlement of the California Teachers' Association lawsuit concerning suspension of Proposition 98, which the Governor has negotiated with the teachers' union. While the funding of the settlement (approximately $400 million per year for seven years beginning in 2007-08) is not included in the budget, the 2006-07 Proposition 98 spending level reflects upward adjustments to prior-year spending as if the settlement had been finalized.

Allocation of State Funding to School Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid" or colloquially as "backfill." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

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

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per A.D.A. for Fiscal Years 2002-03 through 2005-06 and (ii) the District's projected A.D.A., enrollment and base revenue limit per A.D.A. for Fiscal Year 2006-07.

Anaheim City School District
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2002-03 Through 2006-07

Fiscal Year	Average Daily Attendance	Enrollment	Base Revenue Limit
2002-03	21,374	22,375	$4,515.57
2003-04	21,065	21,963	4,600.57
2004-05	20,367	21,383	4,733.29
2005-06	19,685	20,690	4,935.29
2006-07[1]	18,973	19,941	5,294.36

[2] Projected.
Source: The District.

In its 2006-07 adopted budget, the District projects that it will receive approximately $105,002,030 million in aggregate revenue limit income in 2006-07, or approximately 64% of its general fund revenues. This amount represents an increase of 3.8% from the $101,127,277 that the District received in 2005-06. State funds for special programs are budgeted to be $36,724,456 for 2006-07. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is budgeted at $2,927,812 for 2006-07.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local one percent property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known colloquially as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts."

The District is not a "basic aid district." Local property tax revenues account for approximately 52% of the District's aggregate revenue limit income, and are budgeted to be $54,762,069, or 34% of total general fund revenue in 2006-07. The County is a "Teeter Plan" county, which means that the District is made whole for any delinquencies in payment of property taxes by local property owners. Property tax levy and collection procedures (including the Teeter Plan) are discussed under "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2007 BONDS - Tax Rates, Levies, Collection and Delinquencies" in the front portion of this Official Statement. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Developer Fees

The District collects developer fees to finance essential school facilities within the District. The following table of developer fee revenues reflects the collection of fees from fiscal year 2001-02 through fiscal year 2005-06.

ANAHEIM CITY SCHOOL DISTRICT
Developer Fees
Fiscal Years 2001-02 to 2005-06

Year	Total Revenues
2001-02	$264,188
2002-03	397,492
2003-04	218,766
2004-05	881,468
2005-06	610,200

Source: The District.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to

Section 41010 of the California Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2006, excerpts of which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditors Boceta, Macon, Workman & Associates, San Bernardino, California, for fiscal years 2003-04 through 2005-06.

Boceta, Macon, Workman & Associates has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

ANAHEIM CITY SCHOOL DISTRICT
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2003-04 through 2005-06

	2003-04 Actuals	2004-05 Actuals	2005-06 Actuals
REVENUES			
Revenue Limit Sources			
State Apportionments	$ 40,075,659	$ 48,242,186	$ 48,168,648
Local Sources	56,543,863	50,761,370	52,234,085
Revenue Limit Transfers	416,899	516,892	724,544
Total Revenue Limit Sources	97,036,421	99,520,448	101,127,277
Federal Revenues	16,232,754	17,678,683	19,514,907
Other State Revenues	38,928,110	38,717,317	39,615,342
Other Local Revenues	1,769,338	2,557,556	3,653,252
Total Revenues	153,966,623	158,474,004	163,910,778
EXPENDITURES			
Instruction	96,891,686	99,454,260	104,199,239
Instruction-related Services			
Supervision of Instruction	3,555,403	3,095,228	5,583,660
Instructional Library, Media and Technology	2,876,792	2,556,881	2,418,887
School Site Administration	11,310,568	11,693,050	11,789,139
Pupil Services			
Home-to School Transportation	5,623,238	6,012,251	6,304,920
All Other Pupil Services	7,592,889	8,142,084	8,661,755
General Administration:			
Data Processing	930,005	1,035,550	1,660,737
All Other General Administration	8,334,014	8,406,952	8,374,611
Plant Services	10,278,712	10,879,201	11,542,373
Facilities Acquisition and Construction	6,089	68,076	629,977
Community Services	41	-	-
Other Outgo	3,416,092	3,517,507	3,425,153
Total Expenditures	150,815,529	154,861,040	164,590,451
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,151,094	3,612,964	(679,673)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	39,375	-	257,086
Proceeds from Sale of Bonds	-	-	-
Proceeds from Sale/Lease Purchase	-	-	-
Operating Transfers Out	(1,256,049)	(826,626)	(857,700)
Other Sources		(14,063)	-
Other Uses	-	-	-
Total Other Financing Sources (Uses)	(1,216,674)	(840,689)	(600,614)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	1,934,420	2,772,275	(1,280,287)
FUND BALANCES – July 1, as Previously Reported	27,752,440	29,474,144	31,440,140
Adjustment for Restatement	(212,716)	(806,279)	-
FUND BALANCES – July 1, as Restated	27,539,724	28,667,865	-
FUND BALANCES – June 30	$ 29,474,144	$ 31,440,140	$ 30,159,853

Source: District Audited Financial Reports for Fiscal Years 2003-04 through 2005-06.

District Budget Process and County Review

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

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

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

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that *will meet* its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that *may not meet* its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. The District has never received a qualified or negative certification.

The following table summarizes the District's Adopted General Fund Budgets for fiscal years 2004-05 through 2006-07.

ANAHEIM CITY SCHOOL DISTRICT
General Fund Budgets
Fiscal Years 2004-05 through 2006-07

	2004-05 Original Adopted Budget	2005-06 Original Adopted Budget	2006-07 Original Adopted Budget[(1)]
REVENUES			
Revenue Limit Sources	$ 98,396,118.00	$100,249,967.00	$ 105,002,030.00
Federal Revenue	17,763,834.00	18,423,341.00	17,470,297.00
Other State Revenue	34,857,117.00	34,010,298.00	36,724,456.00
Other Local Revenue	839,604.00	1,920,026.00	3,482,436.00
TOTAL REVENUES	151,856,673.00	154,603,632.00	162,679,219.00
EXPENDITURES			
Certificated Salaries	81,508,961.00	81,857,780.00	89,000,119.00
Classified Salaries	25,223,296.00	25,411,906.00	27,239,483.00
Employee Benefits	29,294,977.00	30,801,525.23	30,865,297.00
Books and Supplies	8,861,003.00	8,407,979.00	11,201,077.00
Services and Other Operating Expenses	9,259,582.00	9,298,365.00	7,944,922.00
Capital Outlay	290,875.00	169,000.00	559,685.00
Other Outgo (excluding Transfers of Indirect/ Direct Supporting Costs)	3,133,283.00	3,079,492.00	3,822,688.00
Transfers of Indirect/Direct Support Costs	(36,827.00)	(77,100.00)	(76,067.00)
TOTAL EXPENDITURES	157,535,150.00	158,948,947.23	170,557,204.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	(5,678,477.00)	(4,345,315.23)	(7,877,985.00)
OTHER FINANCING SOURCES/USES			
Interfund Transfers			
Transfers In	--	-	-
Transfers Out	(768,111.00)	776,757.00	853,367.00
Other Sources/Uses			
Sources	--	--	-
Uses	--	--	-
Contributions	--	--	-
TOTAL OTHER FINANCING SOURCES/USES	(768,111.00)	(776,757.00)	(853,367.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(6,446,588.00)	(5,122,072.23)	(8,731,352.00)
FUND BALANCE, RESERVES			
Beginning Fund Balance			
As of July 1 – Unaudited	19,610,750.00	28,087,924.00	28,239,612.00
Audit Adjustments	-	-	-
As of July 1 – Audited	19,610,750.00	28,087,924.00	28,239,612.00
Other Restatements	-	-	-
Adjusted Beginning Balance	19,610,750.00	28,087,924.00	28,239,612.00
Ending Balance, June 30	$ 13,164,162.00	$22,965,851.77	$ 19,508,260.00

(1) The 2006-07 budget does not reflect the contents of the final adopted 2006-07 State budget. Certain adjustments may have to be made based on actual State funding. The District cannot make any predictions regarding the disposition of additional budget legislation or its effect on school finance, or whether the State will make any cuts or enhancements to education funding for Fiscal Year 2006-07.
Source: District Adopted General Fund Budgets for Fiscal Years 2004-05 through 2006-07.

District Debt Structure

Long-Term Debt Summary. The changes in the District's long-term obligations during fiscal year 2005-06 consisted of the following:

	Balance, July 1, 2005	Additions	Deductions	Balance, June 30, 2006	Amounts Due Within One Year
General Obligation Bonds	$ 62,063,461	$ 63,452,339	$58,160,000	$67,355,800	$ 1,625,000
Compensated Absences	914,117	124,566	-	1,038,683	259,671
Other Postemployment Benefits	7,118,933	-	1,772,909	5,346,024	1,153,756
Child Development Portables	270,452	-	38,636	231,819	38,636
Totals	$ 70,366,963	$63,576,905	$59,971,542	$73,972,326	$ 3,077,063

General Obligation Bonds. On July 9, 2002, the Anaheim City School District General Obligation Bonds, Election of 2002, Series 2002 (the "Series 2002 Bonds"), in an aggregate principal amount of $32,465,000, were issued. On June 20, 2004, the Anaheim City School District General Obligation Bonds, Election of 2002, Series 2004 (the "Series 2004 Bonds"), in an aggregate principal amount of $33,653,461.45, were issued. On July 21, 2005, the Anaheim City School District 2005 General Obligation Refunding Bonds (the "Series 2005 Refunding Bonds"), in an aggregate principal amount of $63,452,338.60, were issued to advance refund a portion of the Series 2002 Bonds and the Series 2004 Bonds and generate additional proceeds to finance capital projects. See also "THE SERIES 2007 BONDS—Aggregate Debt Service" in the front portion of this Official Statement.

The outstanding general obligation debt of the District as of June 30, 2006 is as follows:

Date of Bond	Years of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2005	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2006
7/9/02	2003-2012	3.25-5.375%	$ 32,465,000	$ 28,410,000	$ -	$ 25,815,000	$ 2,595,000
6/20/04	2005-2021	4.0-5.375%	33,653,461	33,653,461	-	30,960,000	2,693,461
7/21/05	2006-2024	3.00-5.00%	63,452,339	-	63,452,339	1,385,000	62,067,339
Totals			$129,570,800	$ 62,063,461	$ 63,452,339	$ 58,160,000	$67,355,800

The Series 2002 Bonds mature through 2012 as follows:

Fiscal Year	Principal	Interest	Total
2007	$ 665,000	$ 79,881	$ 744,881
2008	785,000	56,319	843,319
2009	165,000	40,675	205,675
2010	240,000	33,288	273,288
2011	325,000	22,694	347,694
2012	415,000	8,300	423,300
Total	$2,595,000	$241,157	$2,836,157

The Series 2004 Bonds mature through 2021 as follows:

Fiscal Year	Principal	Interest	Total
2007	$ 600,000	$ 48,750	$ 648,750
2008	735,000	18,375	753,375
2009	-	-	-
2010	61,180	13,819	74,999
2011	123,952	36,048	100,000
2012-2016	688,160	321,840	1,010,000
2017-2021	485,169	469,831	955,000
Total	$2,693,461	$908,663	$3,602,124

The Series 2005 Bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest	Total
2007	$ 360,000	$ 2,722,781	$ 3,082,781
2008	360,000	2,711,982	3,071,982
2009	1,695,000	2,679,037	4,374,037
2010	1,825,000	2,621,837	4,446,837
2011	1,950,000	2,560,494	4,510,494
2012-2016	7,687,338	19,623,752	27,311,090
2017-2021	25,020,000	9,237,500	34,257,500
2022-2024	23,170,001	1,812,000	24,982,001
Total	$62,067,339	$43,969,383	$106,036,722

Compensated Absences. The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to $1,038,683.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS, the District provides certain post retirement health care benefits, as established by board policy, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. As of June 30, 2006, 170 retirees met these eligibility requirements. These benefits are provided through insurance companies whose premiums are based on benefits paid during the year. The District's contributions for these benefits for fiscal years 2003-04, 2004-05 and 2005-06 were $962,710, $776,006 and $969,401, respectively. The estimated future liability for the District at June 30, 2006, amounts to $4,561,024.

In addition, the District has entered into early retirement agreements with certain eligible employees between the ages of 55 and 60 to receive a stipend upon five years after taking early retirement, as stated in the Teacher's Union Contract. The stipend is provided through an insurance company to which the District contributes $5,000 a year for five years for fiscal year 2001-02 and $10,000 a year for five years for fiscal year 2002-03. At the end of five years, the retired employees receive the contributed amount and the accrued interest. The estimated future liability for the District at for fiscal years 2003-04, 2004-05 and 2005-06 were $1,595,000, $1,220,000 and $785,000, respectively.

GASB has recently released its Statement Number 45 ("Statement Number 45"), which will require municipalities to account for other post-employment benefits (meaning other than pension benefits) liabilities much like municipalities are required account for pension benefits. Although Statement Number 45 encourages earlier adoption, implementation is required by the fiscal year beginning after December 15, 2007, for municipalities, like the District, with revenues between $10 million and $100 million in a fiscal year. (Annual revenues determined for fiscal years ending after June

15, 1999). The effect of Statement Number 45 on the financial condition of the District has not been determined.

Child Development Portables. The District financed the purchase of Child Development Portables through the California Department of Education's Child Care Facilities Revolving Fund. The agreement with the California Department of Education includes a 0% interest rate for the portable classrooms. During the term of the repayment, the title to the facilities shall be in the name of the State. Title shall pass to the District after repayment of all funds. The District bears all the responsibility of maintaining the facilities and keeping the facilities free and clear of any levies, liens and encumbrances.

The loans mature in 2012 and the payments are as follows:

Year Ending June 30,	
2007	$38,636
2008	38,636
2009	38,636
2010	38,636
2011	38,636
2012	38,639
Total	$ 231,819

Employment

As of June 30, 2006, the District employed 2,007 employees, consisting of 1,107 non-management certificated employees, 94 certificated management employees, 780 classified non-management employees, and 26 classified management employees. For the year ended June 30, 2006, the total certificated and classified payrolls were $85,854,364 and $26,678,095, respectively.

The certificated and classified professionals, except management and some part-time employees, are represented by the following employee bargaining units. The remainder are not represented by any formal bargaining unit.

Anaheim City School District
Labor Organizations

Labor Organization	Represented Employees	Contract Expiration
Anaheim City School District Educators' Association	1,107	June 30, 2007
Classified School Employees Association	750	June 30, 2008

Source: The District.

Retirement

The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CaIPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

District's Contributions to CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a $118 million shortfall in the baseline benefits—one-tenth of 1 percent of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional $92 million from the State's General Fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial $23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005–06 proposed State Budget and 2005-06 May revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to the proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially.

The District's employer contributions to CalSTRS for fiscal years 2003-04, 2004-05 and 2005-06 were $6,308,047, $6,677,074 and $7,076,035, respectively. The District estimates that that its employer contributions to CalSTRS for fiscal year 2006-07 will be $7,214,779.

CalPERS. All qualifying classified employees of K through 12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2004, the CalPERS Plan for Schools had an actuarial value of assets of approximately $33.3 billion and entry age normal accrued liability of approximately $35.9 billion, with an unfunded liability of approximately $2.6 billion. As of June 30, 2004, the CalPERS Plan for Schools had a funded ratio of 92.7%. The District's employer contributions to CalPERS for fiscal years 2003-04, 2004-05 and 2005-06 were $1,377,133, $1,562,659 and $2,145,213, respectively, and were equal to 100 percent of the required contributions for each year. The District estimates that that its employer contributions to CalPERS for fiscal year 2006–07 will be $2,412,385.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in APPENDIX B: - "EXCERPTS FROM FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2006, Note 14.

Capital Financing Plan

The District's Facility Master Plan, adopted by the Board of Education in December of 2005, identifies new construction, site expansion, site reconstruction and modernization projects expected to be completed over the next ten years. Total projected cost for the construction, reconstruction and site expansions is $107,216,314. Based upon current State program guidelines, the State and the District are each to provide approximately a 50% share of the funding. Currently, $59,608,157 is projected to come from proceeds of bonds authorized by the voters of the District on March 5, 2002 (the "Authorization"), $18,636,712 has already been received from the State and an additional $34,971,445 is anticipated from the State's matching program. Projects are expected to include the purchase of land, the construction of two completely new schools, the expansion of three schools, and the reconstruction of two schools. When completed, it is expected that housing for an additional 2,930 students will be available.

Total projected cost for the modernization projects at 20 sites is projected to be $112,155,351. If funded at the current match rate of 60% State funds and 40% District funds, the State's share is $67,396,228 and the District share, to be funded, in part, through proceeds of bonds issued pursuant to the Authorization, is $44,759,123. Modernization projects vary by site, depending on the needs of each property. Upgrades to electrical, bell, phone and intercom systems, plumbing and sewer, HVAC and roofing are expected to be included in all projects. Standard teaching stations are also expected to be installed in each classroom and all sites are expected to be brought into full compliance with the American with Disability Act (ADA) requirements. Additional funds for the District's share of these expenditures, or cost savings in new construction and/or modernization projects will need to be identified in the future.

Insurance, Risk Pooling and Joint Ventures

The District participates in two joint ventures under joint powers agreements: Northern Orange County Self-Funded Workers' Compensation Insurance Agency and the Northern Orange County Liability and Property Self-Insurance Authority (the "JPAs"). The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

Northern Orange County Self-Funded Workers' Compensation Insurance Agency (NOCSFWCA). NOCSFWCIA jointly provides for the establishment, operation and maintenance of self-insurance programs for claims against member districts including, but not limited to, workers' compensation claims against member districts.

Northern Orange County Liability and Property Self-Insurance Authority (NOCLPSIA). NOCLPSIA provides liability and property insurance coverage to member districts.

The JPAs are governed by a board consisting of a representative of each member district. The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not represented in the financial statements of the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition. The tax for payment of the District's general obligation bonds falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value base may be adjusted annually to reflect inflation at a rate not to exceed 2% for any given year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling leaving the recapture law in place. A drop in assessed valuation would not result in any long-term loss of taxes levied to pay the District 's bonds, but would instead cause the County to raise the rate of *ad valorem* taxes to generate revenues sufficient for the payment of principal of and interest on such bonds.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article 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 duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school 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 Series 2007 Bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. 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 which 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. Developer fees are neither pledged nor available to pay the Series 2007 Bonds.

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

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

In Fiscal Year 2005-06, the District had an appropriations limit of $104,203,261, and estimates an appropriations limit for 2006-07 of $104,808,995. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Future Initiatives. Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B

EXCERPTS FROM FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(THIS PAGE INTENTIONALLY LEFT BLANK)

ANAHEIM CITY SCHOOL DISTRICT

ORANGE COUNTY
ANAHEIM, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 2006

BOCETA, MACON, WORKMAN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

ANAHEIM CITY SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2006

INTRODUCTORY SECTION		PAGE
TABLE OF CONTENTS		i
OBJECTIVES OF THE ANNUAL AUDIT		iv
FINANCIAL SECTION		
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		1
MANAGEMENT'S DISCUSSION AND ANALYSIS		3
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Assets	Exhibit A	13
Statement of Activities	Exhibit B	14
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Exhibit C	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit D	16
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds	Exhibit E	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	Exhibit F	19
Statement of Fund Net Assets - Proprietary Funds	Exhibit G	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Internal Service Fund	Exhibit H	21
Statement of Cash Flows - Proprietary Fund - Internal Service Fund	Exhibit I	22
Statement of Assets and Liabilities - Fiduciary Funds	Exhibit J	23
NOTES TO FINANCIAL STATEMENTS		24

ANAHEIM CITY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2006

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	Exhibit K	49

SUPPLEMENTARY INFORMATION SECTION

COMBINING FINANCIAL STATEMENTS - NONMAJOR

Special Revenue Funds - Nonmajor		
Combining Balance Sheet	Statement 1	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	Statement 2	52
Debt Service Fund - Nonmajor		
Balance Sheet	Statement 3	53
Statement of Revenues, Expenditures and Changes in Fund Balance	Statement 4	54
Capital Projects Funds - Nonmajor		
Combining Balance Sheet	Statement 5	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	Statement 6	56
Agency Funds		
Statement of Changes in Assets and Liabilities - Student Body Funds	Statement 7	57
Combining Statement of Changes in Assets and Liabilities - Student Body Funds	Statement 8	58

ANAHEIM CITY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2006

SUPPLEMENTARY SCHEDULES		
Board of Trustees and Organization	Schedule 1	59
Schedule of Average Daily Attendance	Schedule 2	60
Schedule of Instructional Time	Schedule 3	61
Schedule of Financial Trends and Analysis	Schedule 4	62
Schedule of Expenditures of Federal Awards	Schedule 5	63
Reconciliation of Annual Financial and Budget Report Form with Audited Financial Statements	Schedule 6	65
NOTES TO SUPPLEMENTARY INFORMATION		66
AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS		68
AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133		70
AUDITOR'S REPORT ON STATE COMPLIANCE		72
FINDINGS AND RECOMMENDATIONS SECTION		
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS		74
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS		78

ANAHEIM CITY SCHOOL DISTRICT
OBJECTIVES OF THE ANNUAL AUDIT
JUNE 30, 2006

The audit had the following objectives:

- To determine whether the financial statements of the District present fairly its financial position and the results of its financial operations in accordance with accounting principles generally accepted in the United States of America;
- To assess the adequacy of the District's internal accounting control structure and procedures for financial accounting and reporting purposes and for compliance with certain rules and regulations related to Federal financial assistance programs;
- To determine whether Federal and State financial reports are presented fairly and in accordance with the terms of the applicable agreements;
- To determine whether the District has complied with laws and regulations that would have a material effect on the financial statements and on each major Federal financial assistance program;
- To determine whether the District has met the specified State compliance issues; and
- To make recommendations related to any deficiencies or conditions noted in the course of the audit.

The annual audit is not designed to:

- Detect small scattered instances of theft, embezzlement, or other dishonest acts;
- Provide information on whether the District is operating with economy, efficiency or effectiveness; or
- Evaluate the results of the programs run by the District.

Financial Section

BOCETA, MACON, WORKMAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SAMUEL J. MACON, JR.
CPA

JEANETTE L. GARCIA
CPA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees
Anaheim City School District
Anaheim, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim City School District (the District) as of and for the year ended June 30, 2006, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 opinion.

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 Anaheim City School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 12 and budgetary comparison information is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MEMBERS:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

1950 S. SUNWEST LN.
SUITE 300
SAN BERNARDINO
CALIFORNIA 92408

(909) 386-5420
FAX (909) 386-5424

www.bmwcpa.com

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2006, on our consideration of Anaheim City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Anaheim City School District's financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Anaheim City School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Bowta Mason Workman + Associates

November 9, 2006

ANAHEIM CITY SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2006

This section of Anaheim City School District's (ACSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

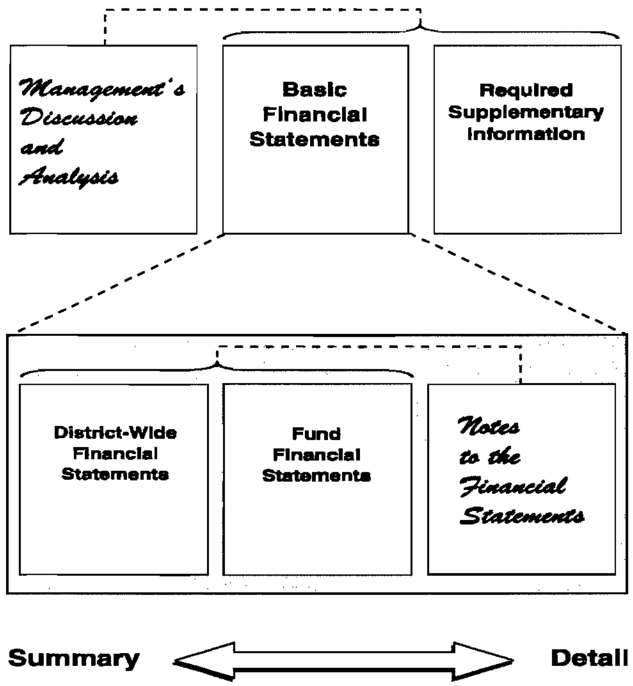
- Strong reserve levels were maintained in the 2005/06 year.
- The unrestricted general fund balance decreased by approximately $807,000.
- $26.1 million was expended on new and modernization construction projects throughout the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Figure A-1. Organization of Anaheim City School District's Financial Report



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

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

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

Type of Statements	District-wide	Fund Statements: Governmental Funds	Fund Statements: Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities.
Required financial statements	•Statement of net assets •Statement of activities	•Balance sheet •Statement of revenues, expenditures & changes in fund balances •Reconciliation to governmentwide financial statements	•Statement of fiduciary net assets •Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources Focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

DISTRICT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like child development and special reserve funds) or to show that it is properly using certain revenues, like federal grants.

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's *combined* net assets were $157.8 million on June 30, 2006. (see Table A-1.) All District net assets are the result of governmental activities.

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

	Governmental Activities		
	2005	2006	% Change
Current and Other Assets	$119.1	$106.6	(10.4)
Capital Assets	121.8	142.8	17.2
Total Assets	240.9	249.4	3.5
Long-term debt outstanding	70.4	73.9	5.0
Other Liabilities	19.6	17.6	(10.2)
Total Liabilities	90.0	91.5	1.6
Invested in Capital Assets, net of related debt	51.4	75.4	46.7
Restricted	99.5	82.4	(17.2)
Total Net Assets	$150.9	$157.8	4.6

Changes in net assets. The District's general revenues for governmental activities were $125.9 million (see Table A-2). Property taxes and state formula aid accounted for most of the District's revenue, with state aid contributing about 50¢ of every dollar raised and property taxes contributing about 46¢ of every dollar raised (see Figure A-3). The remaining revenue was from local sources.

Figure A-3 Anaheim City Revenue - 2006
Governmental Activities

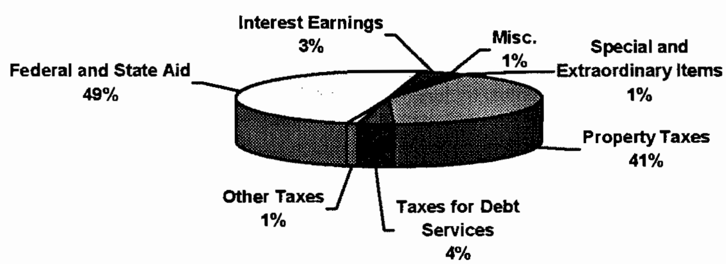
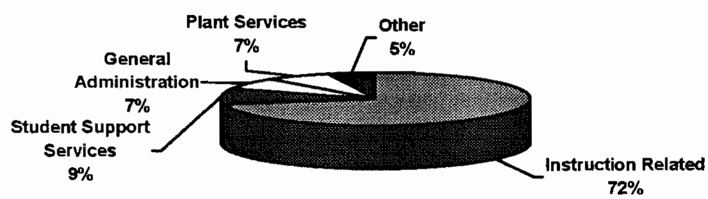


Figure A-4 Anaheim City Expenses - 2006
Governmental Activities



The net cost of all governmental programs and services was $119 million (see Table A-2). The District's expenses are predominantly related to educating and caring for students (73%) (see Figure A-4). The purely administrative activities of the District accounted for just 7.0% of total net costs.

Total governmental revenues exceeded expenditures, increasing net assets $6.9 million. An increase in revenue exceeded the increase in expenditure.

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

		Governmental Activities		
		2005	2006	% Change
Revenues:				
	Property Taxes	$ 50.8	$ 52.2	2.7
	Taxes for Debt Service	3.9	4.6	17.9
	Other Taxes	0.5	0.8	60.0
	Federal and State Aid	60.6	62.0	2.3
	Interest Earnings	2.2	3.6	63.6
	Special and Extraordinary Items	-	1.5	100
	Misc.	1.6	1.2	(25.0)
	Total General Revenues	119.6	125.9	5.3
Expenses (Net):				
	Instruction-related	77.8	84.6	8.8
	Student Support Services	6.6	7.1	7.8
	General Administration	6.0	10.0	66.6
	Plant Services	11.1	10.5	(5.4)
	Other	11.0	6.8	(38.1)
	Total Net Expenses	112.5	119.0	5.7
Increase (Decrease) in Net Assets		$ 7.1	$ 6.9	(65.0)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a *combined* fund balance of $87 million, as compared to $98 million in 2005. The decrease is due primarily to continuing construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the District revised the annual operating budget several times due to updated projections and actual costs. Following are highlights of the largest changes.

- The budget was revised significantly after the passage of the final state budget.
- Net increases to both revenue and expense for federal, state and local grant awards.
- Actual revenue to expense was $1.3 million in the negative.
- Many categorical programs had carry over in 2005-06. These unspent dollars were carried over to 2006-07 budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District had invested $238.8 million in a broad range of capital assets, including school buildings, computer and audio-visual equipment, and administrative offices. (See Table A-4.) This amount represents a net increase of $22 million or 10.2% from last year. (More detailed information about capital assets can be found in Notes 1 and 6 to the financial statements.) Total depreciation expense for the year exceeded $4.6 million.

Anaheim City Capital Assets

(net of depreciation, in millions of Dollars)

	2005	2006	% Change
Land	$ 28.7	$ 30.2	5.4
Site Improvements	4.4	8.0	81.8
Buildings	144.2	158.8	10.1
Furniture and Equipment	9.8	11.8	20.4
Work in Progress	46.1	30.0	(34.9)
Total	$216.8	$238.8	10.1

The District has a large balance of construction work in progress related to new construction and modernization projects. Anaheim City's student enrollment has decreased over the past three years to reach a present enrollment of 20,690. A decrease in enrollment is projected to continue over the next several years. The District's fiscal year 2006 capital budget projects spending another $33.0 million for capital projects, principally in the following areas:

- Reconstruction and expansion
- Modernization projects

LONG-TERM DEBT

At year-end the District had $73.9 million in outstanding long-term debt. (More detailed information about the District's long-term liabilities is presented in Note 2 to the financial statements.) The March 2002, voters authorized $111 million in general obligation bonds to be issued over a period of years. The first $32.5 million in bonds were issued in July 2002, the second $33.7 million in June of 2004.

Bond Ratings

The District's general obligation bonds have carried the highest rating possible - AAA.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 2.5 percent of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is below this limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state budget was not approved at the time the district budget was completed. This is one of the major issues that may significantly impact the District budget.
- The continued decline in enrollment will continue to impact the revenue of the District. The enrollment is projected to decrease by 4% in 2007.
- Considerable uncertainty in future state revenues and the impact of lower state revenue on the District's budget.
- The ability of the State of California to solve its continuing budget crisis.
- Costs associated with special education continue to increase at a greater rate than dedicated revenue streams.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Anaheim City School District, 1001 S. East Street, Anaheim, California 92805.

EXHIBIT A

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash (Note 2)	$ 90,085,885
Accounts Receivable (Note 3)	15,359,715
Inventories	170,923
Prepaid Expenses	944,239
Total Current Assets	106,560,762
Capital Assets: (Note 6)	
Land	30,247,651
Improvement of Sites	7,973,468
Buildings	158,787,331
Furniture and Equipment	11,789,760
Work in Progress	30,008,801
Less Accumulated Depreciation	(96,011,330)
Total Capital Assets	142,795,681
TOTAL ASSETS	249,356,443
LIABILITIES	
Accounts Payable and Other Current Liabilities	13,513,423
Deferred Revenues	4,054,431
Total Current Liabilities	17,567,854
Long-Term Liabilities:	
Portion due or payable within one year:	
Bonded Debt (Note 7)	1,625,000
Compensated Absences (Note 8)	259,671
Postemployment Benefits (Note 9)	1,153,756
Child Development Portables (Note 10)	38,636
Total Due Within One Year	3,077,063
Portion due or payable after one year:	
Bonded Debt (Note 7)	65,730,800
Compensated Absences (Note 8)	779,012
Postemployment Benefits (Note 9)	4,192,268
Child Development Portables (Note 10)	193,183
Total Due After One Year	70,895,263
TOTAL LIABILITIES	91,540,180
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	75,439,881
Restricted for:	
Capital Projects	50,067,958
Debt Service	3,386,074
Educational Programs	15,701,882
Other Purposes (Expendable)	4,773,554
Other Purposes (Nonexpendable)	8,446,914
TOTAL NET ASSETS	$ 157,816,263

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT B

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental:					
Instruction	$ 105,005,544	$ 88,241	$ 29,948,209	$ 3,248,426	$ (71,720,668)
Instruction-related Services:					
Supervision of Instruction	5,524,862	2,840	5,635,743	-	113,721
Instructional Library, Media, and Technology	2,427,999	-	997,919	-	(1,430,080)
School Site Administration	11,636,583	-	24,943	-	(11,611,640)
Pupil Services:					
Home-to-School Transportation	6,307,084	-	2,283,154	-	(4,023,930)
All Other Pupil Services	8,926,359	17,971	5,865,361	-	(3,043,027)
General Administration:					
Data Processing	1,595,885	-	-	-	(1,595,885)
All Other General Administration	10,795,422	7,295	2,349,186	-	(8,438,941)
Plant Services	11,575,015	-	1,065,984	-	(10,509,031)
Interest on Long-Term Debt	1,434,935	-	-	-	(1,434,935)
Other Outgo	3,425,153	11,021	2,776,310	-	(637,822)
Depreciation (Unallocated)	4,689,939	-	-	-	(4,689,939)
Total Governmental Activities	$ 173,344,780	$ 127,368	$ 50,946,809	$ 3,248,426	(119,022,177)

General Revenues:	
Taxes:	
Property Taxes, levied for general purposes	52,234,085
Property Taxes, levied for debt service	4,625,858
Property Taxes, levied for other specific purposes	849,200
Federal and State Aid not restricted to specific purposes	61,947,807
Interest and Investment Earnings	3,633,530
Miscellaneous	1,500,471
Special and extraordinary transfers	1,177,554
Total General Revenues	125,968,505
Change in Net Assets	6,946,328
Net Assets - July 1, 2005	150,869,935
Net Assets - June 30, 2006	$ 157,816,263

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C

ANAHEIM CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	GENERAL FUND	BUILDING FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash (Note 2)				
Cash in County Treasury	$ 27,014,202	$ 24,272,372	$ 34,439,577	$ 85,726,151
Cash on Hand and in Banks	701,445	24	117,217	818,686
Cash in Revolving Fund	75,000	-	-	75,000
Accounts Receivable (Note 3)	8,225,703	1,611,379	152,832	9,989,914
Due from Grantor Governments (Note 4A)	5,134,288	-	221,455	5,355,743
Due from Other Funds (Note 4A)	353,336	586,261	71,044	1,010,641
Inventory (Note 1G)	170,923	-	-	170,923
Prepaid Expenditures	700	-	-	700
TOTAL ASSETS	$ 41,675,597	$ 26,470,036	$ 35,002,125	$ 103,147,758
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 8,680,192	$ 2,647,035	$ 934,853	$ 12,262,080
Due to Grantor Governments (Note 4A)	51,171	-	-	51,171
Due to Other Funds (Note 4A)	71,044	560	939,037	1,010,641
Deferred Revenue	2,713,337	-	19,027	2,732,364
Total Liabilities	11,515,744	2,647,595	1,892,917	16,056,256
Fund Balances (Note 5)				
Reserved Fund Balances	6,179,972	-	-	6,179,972
Designated Fund Balances	23,979,881	-	-	23,979,881
Undesignated Fund Balances	-	23,822,441	33,109,208	56,931,649
Total Fund Balances	30,159,853	23,822,441	33,109,208	87,091,502
TOTAL LIABILITIES AND FUND BALANCES	$ 41,675,597	$ 26,470,036	$ 35,002,125	$ 103,147,758

The Notes to Financial Statements are an integral part of this statement.

ANAHEIM CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances - Governmental Funds		$ 87,091,502
Amounts reported for governmental activities in the statement of net assets are different because:		
Amounts reported for capital assets for governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is $238,807,011, and the accumulated depreciation is $96,011,330.		142,795,681
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
General Obligation Bonds	67,355,800	
Compensated Absences	1,038,683	
Postemployment Benefits	5,346,024	
Other (Child Development)	231,819	(73,972,326)
The asset and liabilities of the Internal Service Fund were incorporated into the government-wide statements but are not presented as a governmental fund. The assets amount to $3,480,106 and the liabilities amount to $335.		3,479,771
In governmental funds, interest on long-term debt is not recognized until it matures and is paid. In the government-wide statement of actvities, it is recognized in the period it is incurred. An addition liability was recorded for unmatured interest on long-term debt.		(1,199,841)
Premiums and discounts on bonded debt are recorded as revenues and expenditures at the time of issuance, but are amortized over the life of the debt in the government-wide financial statements.		(378,527)
Adjustment for Rounding		3
Total Net Assets - Governmental Activities		$ 157,816,263

The Notes to Financial Statements are an integral part of this statement.

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	BUILDING FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Revenue Limit Sources				
State Apportionments	$ 48,168,648	$ -	$ -	$ 48,168,648
Local Sources	52,234,085	-	-	52,234,085
Revenue Limit Transfers	724,544	-	-	724,544
Total Revenue Limit Sources	101,127,277	-	-	101,127,277
Federal Revenues	19,514,907	-	1,386,189	20,901,096
Other State Revenues	39,615,342	-	5,116,925	44,732,267
Other Local Revenues	3,653,252	1,525,197	7,114,927	12,293,376
Total Revenues	163,910,778	1,525,197	13,618,041	179,054,016
EXPENDITURES				
Instruction	104,199,239	-	2,071,749	106,270,988
Instruction-related Services				
Supervision of Instruction	5,583,660	-	247,104	5,830,764
Instructional Library, Media, and Technology	2,418,887	-	-	2,418,887
School Site Administration	11,789,139	-	-	11,789,139
Pupil Services				
Home-to-School Transportation	6,304,920	-	-	6,304,920
All Other Pupil Services	8,661,755	-	267,053	8,928,808
General Administration				
Data Processing	1,660,737	-	-	1,660,737
All Other General Administration	8,374,611	-	75,705	8,450,316
Plant Services	11,542,373	-	5,540	11,547,913
Facilities Acquisition and Construction	629,977	22,523,175	4,870,299	28,023,451
Other Outgo	3,425,153	-	3,804,519	7,229,672
Total Expenditures	164,590,451	22,523,175	11,341,969	198,455,595
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(679,673)	(20,997,978)	2,276,072	(19,401,579)

The Notes to Financial Statements are an integral part of this statement.

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	BUILDING FUND	ALL OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Note 4B)	$ 257,086	$ -	$ 857,700	$ 1,114,786
Operating Transfers Out (Note 4B)	(857,700)	(257,086)	-	(1,114,786)
Proceeds from Sale of Bonds	-	8,631,105	-	8,631,105
Other Uses	-	-	(1,212)	(1,212)
Total Other Financing Sources (Uses)	(600,614)	8,374,019	856,488	8,629,893
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(1,280,287)	(12,623,959)	3,132,560	(10,771,686)
FUND BALANCES - JULY 1, 2005	31,440,140	36,446,400	29,976,648	97,863,188
FUND BALANCES - JUNE 30, 2006	$ 30,159,853	$ 23,822,441	$ 33,109,208	$ 87,091,502

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT F

ANAHEIM CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Total Net Change in Fund Balances - Governmental Funds	$ (10,771,686)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $28,258,671 exceed depreciation expense of $4,689,939 in the period.	23,568,732
In the statement of activities, certain operating expenses - compensated absences (vacation) and postemployment benefits - 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).	1,648,343
The activities of the Internal Service Fund have been incorporated into the government-wide statements, but is not a governmental fund.	109,714
In governmental funds, repayments of long-term debt are recorded as expenditures. In the government-wide statements, repayment of long-term debt are reductions of liabilities.	2,198,636
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. An adjustment is made for the difference between interest owing at the end of the period and matured interest paid during the period.	213,460
Premiums and discounts on bonds are recorded as revenues and expenditures at the time of issuance, but are amortized over the life of the debt in the government-wide statements.	17,026
In governmental funds, proceeds from debt are recorded as Other Financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities.	(7,452,339)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported.	(824,001)
If a planned project is canceled and will not be completed, costs previously capitalized as work in progress must be written off to expense.	(1,761,558)
Adjustment for Restatement	1
Change in Net Assets of Governmental Activities	$ 6,946,328

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT G

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	INTERNAL SERVICE FUND
ASSETS	
Cash (Note 2)	
Cash in County Treasury	$ 3,466,048
Accounts Receivable (Note 3)	14,058
TOTAL ASSETS	3,480,106
LIABILITIES	
Accounts Payable	335
NET ASSETS	
Restricted for:	
Other Purposes (Expendable)	$ 3,479,771

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT H

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Internal Service Fund
Operating Revenues	$ -
Operating Expenses	
Books and Supplies	25,947
Contracted Services and Other Operating Expenses	3,928
Total Operating Expenses	29,875
Operating Loss	(29,875)
Non-Operating Revenues	
Interest Income	139,589
Change in Net Assets	109,714
Net Assets - July 1, 2005	3,370,057
Net Assets - June 30, 2006	$ 3,479,771

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT I

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2006

	Internal Service Fund
Cash Flows from Operating Activities	
Services and Other Operating Expenses	$ (29,875)
Net Cash Used by Operating Activities	(29,875)
Cash Flows from Investing Activities	
Interest Income	134,135
Net Increase in Cash	104,260
Cash - July 1, 2005	3,361,788
Cash - June 30, 2006	$ 3,466,048
Operating Loss	$ (29,875)
Net Cash Used by Operating Activities	$ (29,875)

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT J

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006

	AGENCY FUNDS
ASSETS	
Cash (Note 2)	
Cash on Hand and in Banks	$ 275,257
Accounts Receivable	3,390
TOTAL ASSETS	$ 278,647
LIABILITIES	
Accounts Payable	$ 16,121
Due to Student Groups	262,526
TOTAL LIABILITIES	$ 278,647

The Notes to Financial Statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Anaheim City School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

A. Fund Accounting

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

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund is used for the acquisition of major governmental capital facilities and buildings from bond proceeds.

Nonmajor Governmental Funds:

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

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

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

- Special Reserve Fund is used to account for resources reserved for economic uncertainties.

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

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains three nonmajor capital projects funds.

- Capital Facilities Fund is used to account for resources received from developer fees.

- County School Facilities Fund is used to account for Proposition 1A funds.

- Special Reserve Fund is used to account for monies set aside by the Governing Board to be used for specific capital projects including, but not limited to, playground equipment and student lunch shelters.

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Workers' Compensation Fund.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for each school that operates an associated student body.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. Internal Service Fund activity is eliminated to avoid doubling revenues and expenditures.

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

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

Fund Financial Statements:

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

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

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

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions through June 30, 2006.

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

E. Accounting Estimates

The presentation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

F. Encumbrances

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

G. Inventories

Inventory in the General Fund consists mainly of expendable supplies held for consumption. Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and the cost is recorded as an expenditure at the time individual inventory items are requisitioned. Inventories are valued on the weighted average method. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

H. Deferred Revenue

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

I. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Life in Years
Land	N/A
Audio Visual Equipment	7-10
Athletic Equipment	10
Buildings	25-50
Business Machines	7-10
Books/Multimedia Materials	5
Contractor/Construction Equipment	10-12
Computer Equipment	7
Communication Equipment	10
Construction	50
Copiers	5-7
Computer Software	5
Custodial Equipment	15
Office Furniture/Fixtures	10-20
Equipment/Machinery	10
Grounds/Agricultural Equipment	15
Infrastructure	65
Licensed Vehicles	6-15
Land Improvements	20
Lab/Science/Engineering Equipment	10
Musical Instruments	10
Machinery and Tools	15
Outdoor Equipment	20
Outdoor Recreation Equipment	15
Portable Classroom/Structures	25
Stage and Auditorium	20
Technology	5
Uniforms	5
Utilities/Water/Sewer/Electrical Equipment	30

J. Compensated Absences

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

K. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

L. Long-Term Obligations

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

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

M. Revenue Limit/Property Tax

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

The county is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

2. CASH AND INVESTMENTS

Cash at June 30, 2006 consisted of the following:

	Governmental Funds	Internal Service Fund	Agency Funds	Total
Pooled Funds:				
Cash in County Treasury	$ 85,726,151	$ 3,466,048	$ -	$ 89,192,199
Deposits:				
Cash on Hand and in Banks	818,686	-	275,257	1,093,943
Cash in Revolving Fund	75,000	-	-	75,000
Total	$ 86,619,837	$ 3,466,048	$ 275,257	$ 90,361,142

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the investment pool ($2,953,489,779 as of June 30, 2006). The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The fair market value of this pool as of June 30, 2006, as provided by the pool sponsor, was $2,950,141,081. The County is required by Government Code Section 53635 pursuant to section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Interest Rate Risk

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

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2006, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2006, the District had no concentration of credit risk.

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.

Cash in banks and in revolving funds are insured up to $100,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2006 consist of the following:

	GENERAL FUND	BUILDING FUND	ALL OTHER GOVERNMENTAL FUNDS	INTERNAL SERVICE FUND	TOTAL
Accounts Receivable					
Federal Sources					
Categorical Aid Programs	$ 85,841	$ -	$ -	$ -	$ 85,841
State Sources					
Categorical Aid Programs	3,136,264	-	-	-	3,136,264
School Facilities Apportionment	-	-	-	-	-
State Lottery	760,752	-	-	-	760,752
Revenue Limit	3,213,401	-	-	-	3,213,401
Total State	7,110,417	-	-	-	7,110,417
Local Sources					
Local Governments	829,842	1,504,468	-	-	2,334,310
Interest	153,903	106,911	134,684	14,058	409,556
Other	45,700	-	18,148	-	63,848
Total Local	1,029,445	1,611,379	152,832	14,058	2,807,714
Total Accounts Receivable	8,225,703	1,611,379	152,832	14,058	10,003,972
Due from Grantor Governments					
Federal Categorical	3,592,686	-	191,352	-	3,784,038
State Categorical	1,541,602	-	30,103	-	1,571,705
Total Due from Grantor Governments	5,134,288	-	221,455	-	5,355,743
Total Receivables	$ 13,359,991	$ 1,611,379	$ 374,287	$ 14,058	$ 15,359,715

4. INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

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

Individual fund interfund receivable and payable balances at June 30, 2006 are as follows:

	DUE TO			
DUE FROM	General Fund	Building Fund	All Other Governmental Funds	Totals
General Fund	$ -	$ -	$ 71,044	$ 71,044
Building Fund	560	-	-	560
All Other Governmental Funds	352,776	586,261	-	939,037
Totals	$ 353,336	$ 586,261	$ 71,044	$ 1,010,641

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for 2005-06 were as follows:

	TRANSFERS TO		
TRANSFERS FROM	General Fund	All Other Governmental Funds	Totals
General Fund	$ -	$ 857,700	$ 857,700
Building Fund	257,086	-	257,086
Totals	$ 257,086	$ 857,700	$ 1,114,786

5. FUND EQUITY

Ending fund equity is composed of the following elements:

	GENERAL FUND	BUILDING FUND	ALL OTHER GOVERNMENTAL FUNDS	INTERNAL SERVICE FUND	TOTALS
Reserved Fund Balances					
Reserved for Revolving Fund	$ 75,000	$ -	$ -	$ -	$ 75,000
Reserved for Stores	170,923	-	-	-	170,923
Reserved for Prepaid Expenditures	700	-	-	-	700
Legally Restricted	5,933,349	-	-	-	5,933,349
Total Reserved Balances	6,179,972	-	-	-	6,179,972
Designated Fund Balances					
Designated for Economic Uncertainties	8,275,000	-	-	-	8,275,000
Other Designations	15,704,881	-	-	-	15,704,881
Total Designated Fund Balances	23,979,881	-	-	-	23,979,881
Undesignated Fund Balances	-	23,822,441	33,109,208	-	56,931,649
Restricted Retained Earnings	-	-	-	3,479,771	3,479,771
Total Fund Equity	$ 30,159,853	$ 23,822,441	$ 33,109,208	$ 3,479,771	$ 90,571,273

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2006, are shown below:

PRIMARY GOVERNMENT

	Balance, July 1, 2005	Additions	Retirements	Balance, June 30, 2006
Land	$ 28,684,649	$ 1,563,002	$ -	$ 30,247,651
Sites and Improvements	4,387,318	3,775,258	189,108	7,973,468
Buildings	144,237,011	18,405,203	3,854,883	158,787,331
Furniture and Equipment	11,850,919	351,082	412,241	11,789,760
Work in Progress	27,606,233	26,344,587	23,942,019	30,008,801
Totals at Historical Cost	216,766,130	50,439,132	28,398,251	238,807,011
Less Accumulated Depreciation for:				
Site Improvements	4,086,280	149,513	183,218	4,052,575
Buildings	83,309,834	3,805,746	3,091,684	84,023,896
Furniture and Equipment	7,557,508	734,680	357,329	7,934,859
Total Accumulated Depreciation	94,953,622	4,689,939	3,632,231	96,011,330
Governmental Activities Capital Assets, Net	$ 121,812,508	$ 45,749,193	$ 24,766,602	$ 142,795,681

7. BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2006 is the following:

Date of Bond	Years of Maturity	Rate of Interest	Amount of Original Issue	Bonds Outstanding July 1, 2005	Issued During Year	Matured During Year	Bonds Outstanding June 30, 2006
7/1/02	2003-2012	3.25-5.375%	$ 32,465,000	$ 28,410,000	$ -	$ 25,815,000	$ 2,595,000
6/1/04	2005-2021	4.0-5.375%	33,653,461	33,653,461	-	30,960,000	2,693,461
8/1/05	2006-2024	3.00-5.00%	63,452,339	-	63,452,339	1,385,000	62,067,339
			$ 129,570,800	$ 62,063,461	$ 63,452,339	$ 58,160,000	$ 67,355,800

The annual requirement to amortize Series 2002 general obligation bonds payable, outstanding at June 30, 2006, is as follows:

Year Ending June 30	Principal	Interest	Total
2007	$ 665,000	$ 79,881	$ 744,881
2008	785,000	56,319	841,319
2009	165,000	40,675	205,675
2010	240,000	33,288	273,288
2011	325,000	22,694	347,694
2012	415,000	8,300	423,300
	$ 2,595,000	$ 241,157	$ 2,836,157

The annual requirement to amortize the Series 2004 general obligation bonds payable, outstanding at June 30, 2006, is as follows:

Year Ending June 30	Principal	Interest	Total
2007	$ 600,000	$ 48,750	$ 648,750
2008	735,000	18,375	753,375
2009	-	-	-
2010	61,180	13,819	74,999
2011	123,952	36,048	160,000
2012-16	688,160	321,840	1,010,000
2017-21	485,169	469,831	955,000
	$ 2,693,461	$ 908,663	$ 3,602,124

The annual requirement to amortize the Series 2005 Refunding general obligation bonds payable, outstanding at June 30, 2006, is as follows:

Year Ending June 30	Principal	Interest	Total
2007	$ 360,000	$ 2,722,781	$ 3,082,781
2008	360,000	2,711,982	3,071,982
2009	1,695,000	2,679,037	4,374,037
2010	1,825,000	2,621,837	4,446,837
2011	1,950,000	2,560,494	4,510,494
2012-16	7,687,338	19,623,752	27,311,090
2017-21	25,020,000	9,237,500	34,257,500
2022-24	23,170,001	1,812,000	24,982,001
	$ 62,067,339	$ 43,969,383	$ 106,036,722

The annual requirement to amortize general obligation bonds payable, outstanding at June 30, 2006, is summarized as follows:

Year Ending June 30	Principal	Interest	Total
2007	$ 1,625,000	$ 2,851,412	$ 4,476,412
2008	1,880,000	2,786,676	4,666,676
2009	1,860,000	2,719,712	4,579,712
2010	2,126,180	2,668,944	4,795,124
2011	2,398,952	2,619,236	5,018,188
2012-16	8,790,498	19,953,892	28,744,390
2017-21	25,505,169	9,707,331	35,212,500
2022-24	23,170,001	1,812,000	24,982,001
	$ 67,355,800	$ 45,119,203	$ 112,475,003

8. COMPENSATED ABSENCES

The unpaid employee compensated absences as of June 30, 2006 amounted to $1,038,683 and is recorded as General Long-Term Debt.

9. OTHER POSTEMPLOYMENT BENEFITS

A. The District provides certain post-retirement health insurance benefits to employees who retire from the District on or after attaining age 55 with at least 10 years of service. On June 30, 2006, 170 retirees met these eligibility requirements. These benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The estimated future liability for the District at June 30, 2006 amounts to $4,561,024 which is recorded as General Long-Term Debt.

B. In addition, the District has entered into early retirement agreements with certain eligible employees between the ages of 55 and 60 to receive a stipend upon five years after taking early retirement, as stated in the Teacher's Union Contract. The stipend is provided through an insurance company to which the District contributes $5,000 a year for five years for fiscal year 2001-02 and $10,000 a year for five years for fiscal year 2002-03. At the end of five years, the retired employees receive the contributed amount and the accrued interest. The estimated future liability for the District at June 30, 2006 amounts to $785,000 which is recorded as General Long-Term Debt.

Other postemployment benefits are summarized as follows:

Health Insurance Benefits	$ 4,561,024
Early Retirement Agreements	785,000
Total	$ 5,346,024

10. CHILD DEVELOPMENT PORTABLES

The District financed the purchase of Child Development Portables through the California Department of Education's Child Care Facilities Revolving Fund. The agreement with CDE includes a 0% interest rate for the portable classrooms. During the term of the repayment, the title to the facilities shall be in the name of the State of California. Title shall pass to the District after repayment of all funds. The District bears all the responsibility of maintaining the facilities and keeping the facilities free and clear of any levies, liens and encumbrances.

The loans mature in 2012 and the payments are as follows:

Year Ending June 30	
2007	$ 38,636
2008	38,636
2009	38,636
2010	38,636
2011	38,636
2012	38,639
Total	$ 231,819

11. LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2006 is shown below:

	Balance, July 1, 2005	Additions	Deductions	Balance, June 30, 2006	Amounts Due Within One Year
General Obligation Bonds	$ 62,063,461	$ 63,452,339	$ 58,160,000	$ 67,355,800	$ 1,625,000
Compensated Absences	914,117	124,566	-	1,038,683	259,671
Other Postemployment Benefits	7,118,933	-	1,772,909	5,346,024	1,153,756
Child Development Portables	270,452	-	38,633	231,819	38,636
Totals	$ 70,366,963	$ 63,576,905	$ 59,971,542	$ 73,972,326	$ 3,077,063

12. JOINT POWERS AGREEMENTS

The District participates in two Joint Powers Authorities.

It is a member of the Northern Orange County Self-Funded Workers' Compensation Insurance Agency, whose purpose is to jointly provide for the establishment, operation and maintenance of self-insurance programs for claims against member districts including, but not limited to, workers' compensation claims. It is also a member of the Northern Orange County Liability and Property Self-Insurance Authority providing liability and property insurance coverage to member districts.

The JPAs are governed by a board consisting of a representative of each member district.

These JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in this report. However, fund transactions between these JPAs and the District are included in these statements.

Condensed financial information of these JPAs as of June 30, 2006 is as follows:

	Audited	
	Workers' Compensation	Liability and Property
Total Assets	$ 3,717,953	$ 4,232,339
Total Liabilities	(2,915,693)	(3,095,152)
Net Assets	$ 802,260	$ 1,137,187
Total Revenues	$ 8,049,164	$ 2,853,620
Total Expenditures	(8,041,701)	(2,910,673)
Net Increase (Decrease) in Net Assets	$ 7,463	$ (57,053)

13. COMMITMENTS AND CONTINGENCIES

A. Federal and State Allowances, Awards and Grants

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

B. Litigation

Various claims and litigation involving the District are currently outstanding. However, management of the District believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

14. EMPLOYEE RETIREMENT SYSTEMS

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

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 Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Policy

Active plan members are required to contribute to CalPERS 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-06 was 9.116%. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2005, and 2004 were $2,145,213, $1,562,659, and $1,377,133, respectively, and equal 100% of the required contributions for each year.

STRS

Plan Description

The District contributes to the State Teachers' Retirement Systems (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. 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 the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-06 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2005, and 2004 were $7,076,035, $6,677,074, and $6,308,047, respectively, and equal 100% of the required contributions for each year.

Required Supplementary Information

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			
	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive-(Negative)
REVENUES				
Revenue Limit Sources				
State Apportionments	$ 47,849,660	$ 48,221,090	$ 48,168,648	$ (52,442)
Local Sources	51,598,961	52,190,576	52,234,085	43,509
Revenue Limit Transfers	801,346	779,323	724,544	(54,779)
Total Revenue Limit Sources	100,249,967	101,190,989	101,127,277	(63,712)
Federal Revenues	18,423,341	24,167,931	19,514,907	(4,653,024)
Other State Revenues	28,385,298	40,457,584	39,615,342	(842,242)
Other Local Revenues	1,920,026	3,099,303	3,653,252	553,949
Total Revenues	148,978,632	168,915,807	163,910,778	(5,005,029)
EXPENDITURES				
Instruction	100,399,793	113,572,483	104,199,239	9,373,244
Instruction-related Services				
Supervision of Instruction	6,363,100	8,538,864	5,583,660	2,955,204
Instructional Library, Media, and Technology	3,478,725	3,350,906	2,418,887	932,019
School Site Administration	11,558,914	11,969,281	11,789,139	180,142
Pupil Services				
Home-to-School Transportation	6,101,562	6,321,199	6,304,920	16,279
All Other Pupil Services	8,620,825	8,847,016	8,661,755	185,261
General Administration				
Data Processing	851,835	726,078	1,660,737	(934,659)
All Other General Administration	7,081,258	7,817,455	8,374,611	(557,156)
Plant Services	11,403,443	11,770,625	11,542,373	228,252
Facilities Acquisition and Construction	10,000	783,785	629,977	153,808
Other Outgo	3,079,492	3,753,186	3,425,153	328,033
Total Expenditures	158,948,947	177,450,878	164,590,451	12,860,427
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,970,315)	(8,535,071)	(679,673)	7,855,398

The Notes to Financial Statements are an integral part of this statement.

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			
	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	$ -	$ 257,087	$ 257,086	$ (1)
Operating Transfers Out	(776,757)	(798,629)	(857,700)	(59,071)
Total Other Financing Sources (Uses)	(776,757)	(541,542)	(600,614)	(59,072)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	$ (10,747,072)	$ (9,076,613)	(1,280,287)	$ 7,796,326
FUND BALANCE - JULY 1, 2005			31,440,140	
FUND BALANCE - JUNE 30, 2006			$ 30,159,853	

The Notes to Financial Statements are an integral part of this statement.

Supplementary Information

STATEMENT 1

ANAHEIM CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

	CHILD DEVELOPMENT FUND	DEFERRED MAINTENANCE FUND	SPECIAL RESERVE FUND	TOTALS
ASSETS				
Cash				
Cash in County Treasury	$ 258,269	$ 6,924,975	$ 3,463,873	$ 10,647,117
Cash on Hand and in Banks	32,280	-	-	32,280
Accounts Receivable	706	25,521	14,049	40,276
Due from Grantor Governments	221,455	-	-	221,455
Due from Other Funds	70,574	-	30	70,604
TOTAL ASSETS	$ 583,284	$ 6,950,496	$ 3,477,952	$ 11,011,732
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 214,771	$ 115,827	$ 334	$ 330,932
Due to Other Funds	349,486	582,707	-	932,193
Deferred Revenue	19,027	-	-	19,027
Total Liabilities	583,284	698,534	334	1,282,152
Fund Balances				
Undesignated	-	6,251,962	3,477,618	9,729,580
TOTAL LIABILITIES AND FUND BALANCES	$ 583,284	$ 6,950,496	$ 3,477,952	$ 11,011,732

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 2

ANAHEIM CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	CHILD DEVELOPMENT FUND	DEFERRED MAINTENANCE FUND	SPECIAL RESERVE FUND	TOTALS
REVENUES				
Federal Revenues	$ 1,386,189	$ -	$ -	$ 1,386,189
Other State Revenues	1,257,572	835,548	-	2,093,120
Other Local Revenues	3,158	230,051	135,574	368,783
Total Revenues	2,646,919	1,065,599	135,574	3,848,092
EXPENDITURES				
Instruction	2,071,749	-	-	2,071,749
Instruction-related Services				
Supervision of Instruction	247,104	-	-	247,104
Pupil Services				
All Other Pupil Services	267,053	-	-	267,053
General Administraion				
All Other General Administration	75,705	-	-	75,705
Facilities Acquisition and Construction	15,000	1,080,251	-	1,095,251
Other Outgo	38,636	-	-	38,636
Total Expenditures	2,715,247	1,080,251	-	3,795,498
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(68,328)	(14,652)	135,574	52,594
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	59,071	798,629	-	857,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(9,257)	783,977	135,574	910,294
FUND BALANCES - JULY 1, 2005	9,257	5,467,985	3,342,044	8,819,286
FUND BALANCES - JUNE 30, 2006	$ -	$ 6,251,962	$ 3,477,618	$ 9,729,580

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 3

ANAHEIM CITY SCHOOL DISTRICT
BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2006

		BOND INTEREST AND REDEMPTION FUND
ASSETS		
Cash		
Cash in County Treasury	$	3,374,651
Accounts Receivable		11,423
TOTAL ASSETS	$	3,386,074
LIABILITIES AND FUND BALANCE		
Liabilities	$	-
Fund Balance		
Undesignated		3,386,074
TOTAL LIABILITIES AND FUND BALANCE	$	3,386,074

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 4

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	BOND INTEREST AND REDEMPTION FUND
REVENUES	
Other State Revenues	$ 36,348
Other Local Revenues	4,650,495
Total Revenues	4,686,843
EXPENDITURES	
Other Outgo	3,765,883
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	920,960
OTHER FINANCING SOURCES (USES)	
Other Uses	(1,212)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	919,748
FUND BALANCE - JULY 1, 2005	2,466,326
FUND BALANCE - JUNE 30, 2006	$ 3,386,074

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 5

ANAHEIM CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2006

	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	SPECIAL RESERVE FUND	TOTALS
ASSETS				
Cash				
Cash in County Treasury	$ 3,207,984	$ 9,749,612	$ 7,460,213	$ 20,417,809
Cash on Hand and in Banks	84,937	-	-	84,937
Accounts Receivable	13,032	57,707	30,394	101,133
Due from Other Funds	440	-	-	440
TOTAL ASSETS	$ 3,306,393	$ 9,807,319	$ 7,490,607	$ 20,604,319
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 6,673	$ 522,646	$ 74,602	$ 603,921
Due to Other Funds	6,196	648	-	6,844
Total Liabilities	12,869	523,294	74,602	610,765
Fund Balances				
Undesignated	3,293,524	9,284,025	7,416,005	19,993,554
TOTAL LIABLITIES AND FUND BALANCES	$ 3,306,393	$ 9,807,319	$ 7,490,607	$ 20,604,319

The Notes to Financial Statements are an integral part of this statement.

ANAHEIM CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	CAPITAL FACILITIES FUND	COUNTY SCHOOL FACILITIES FUND	SPECIAL RESERVE FUND	TOTALS
REVENUES				
Other State Revenues	$ -	$ 2,987,457	$ -	$ 2,987,457
Other Local Revenues	1,573,575	216,816	305,258	2,095,649
Total Revenues	1,573,575	3,204,273	305,258	5,083,106
EXPENDITURES				
Plant Services	-	-	5,540	5,540
Facilities Acquisition and Construction	535,261	2,878,741	361,046	3,775,048
Total Expenditures	535,261	2,878,741	366,586	3,780,588
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,038,314	325,532	(61,328)	1,302,518
FUND BALANCES - JULY 1, 2005	2,255,210	8,958,493	7,477,333	18,691,036
FUND BALANCES - JUNE 30, 2006	$ 3,293,524	$ 9,284,025	$ 7,416,005	$ 19,993,554

The Notes to Financial Statements are an integral part of this statement.

STATEMENT 7

ANAHEIM CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
STUDENT BODY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
ASSETS				
Cash on Hand and in Banks	$ 299,066	$ 383,083	$ 406,892	$ 275,257
Accounts Receivable	5,718	3,390	5,718	3,390
TOTAL ASSETS	$ 304,784	$ 386,473	$ 412,610	$ 278,647
LIABILITIES				
Accounts Payable	$ 44,768	$ 16,121	$ 44,768	$ 16,121
Due to Student Groups	260,016	370,352	367,842	262,526
TOTAL LIABILITIES	$ 304,784	$ 386,473	$ 412,610	$ 278,647

The Notes to Financial Statements are an integral part of this statement.

ANAHEIM CITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT BODY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ELEMENTARY SCHOOL	BALANCE JUNE 30, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
Barton	$ 20,511	$ 19,771	$ 26,678	$ 13,604
Edison	5,512	7,724	6,817	6,419
Franklin	15,344	21,886	22,117	15,113
Gauer	4,422	11,534	7,745	8,211
Guinn	20,767	41,060	42,606	19,221
Henry	5,616	17,608	20,087	3,137
Henry Pal	302	-	-	302
Jefferson	4,878	17,466	9,106	13,238
Jefferson II	20,476	16,980	12,424	25,032
Juarez	17,180	21,331	27,972	10,539
Key	13,320	6,754	9,285	10,789
Lincoln	9,899	17,620	19,820	7,699
Loara	19,105	38,427	39,764	17,768
Madison	(2,347)	17,243	9,091	5,805
Mann	7,265	11,797	13,927	5,135
Marshall	4,040	25,364	18,067	11,337
Palm Lane	12,876	1,325	1,186	13,015
Price	5,408	8,576	6,744	7,240
Revere	9,609	2,613	318	11,904
Roosevelt	23,887	16,036	28,526	11,397
Ross	8,200	14,416	17,350	5,266
Stoddard	5,808	8,355	9,843	4,320
Sunkist	2,242	1,762	1,317	2,687
Westmont	25,696	24,704	17,052	33,348
Total	$ 260,016	$ 370,352	$ 367,842	$ 262,526

The Notes to Financial Statements are an integral part of this statement.

SCHEDULE 1

ANAHEIM CITY SCHOOL DISTRICT
BOARD OF TRUSTEES AND ORGANIZATION
JUNE 30, 2006

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Sandy Blumberg	President	December 2006
Barbara Gonzalez	Clerk	December 2006
Jerry Silverman	Member	December 2006
Susan Preus	Member	December 2008
James Vanderbilt-Linares	Member	December 2008

DISTRICT ADMINISTRATORS

Sandra Barry	Superintendent
Ruben Barron	Deputy Superintendent, Education Administration
Carol Berg	Deputy Superintendent, Administrative Services
Rick Bagley	Assistant Superintendent, Human Resources

ORGANIZATION

The Anaheim City School District began operations in 1867, and encompasses an area of approximately twenty-two square miles located in Orange County. The District is currently operating twenty-three elementary schools.

SCHEDULE 2

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Revised Second Period Report	Revised Annual Report
Kindergarten	2,702	2,706
First through Third	8,241	8,218
Fourth through Sixth	8,240	8,226
Special Education	461	464
Home and Hospital	3	3
Extended Year	38	38
Total	19,685	19,655
Supplemental Instructional Hours	215,817	227,772

See accompanying Notes to Supplementary Information.

SCHEDULE 3

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

GRADE LEVEL	1982-83 ACTUAL MINUTES	1986-87 MINUTES REQUIREMENT	2005-06 ACTUAL MINUTES	NUMBER OF DAYS TRADITIONAL CALENDAR	NUMBER OF DAYS MULTITRACK CALENDAR	STATUS
Kindergarten	31,500	36,000	36,050	0	175	In Compliance
Grades 1-3	48,124	50,400	50,855	0	175	In Compliance
Grades 4-6	54,254	54,000	55,181	0	175	In Compliance

See accompanying Notes to Supplementary Information

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

General Fund	(BUDGET) 2007 *	2006	2005	2004
Revenues and Other Financial Sources	$ 162,679,219	$ 164,167,864	$ 158,474,004	$ 154,005,998
Expenditures	170,557,204	164,590,451	154,861,040	150,815,529
Other Uses and Transfers Out	853,367	857,700	840,689	1,256,049
Total Outgo	171,410,571	165,448,151	155,701,729	152,071,578
Change in Fund Balance	$ (8,731,352)	$ (1,280,287)	$ 2,772,275	$ 1,934,420
Ending Fund Balance	$ 21,428,503	$ 30,159,853	$ 31,440,140	$ 29,474,144
Available Reserves	$ 8,570,000	$ 8,275,000	$ 24,471,778	$ 29,249,431
Designated for Economic Uncertainties	$ 8,570,000	$ 8,275,000	$ 7,800,000	$ -
Undesignated Fund Balance	$ -	$ -	$ 16,671,778	$ 29,249,431
Available Reserves as a Percentage of Total Outgo	4.00 %	5.00 %	10.70%	19.00 %
Total Long-Term Debt	$ **	$ 73,972,326	$ 70,366,966	$ 71,844,676
Average Daily Attendance at P-2	18,985	19,685	20,367	21,065

The General Fund balance has increased by $685,709 over the past two years. The fiscal year 2006-07 budget projects a decrease of $8,731,352. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. Anaheim City School District has met the State's minimum requirements.

Average daily attendance has decreased by 1,380 ADA over the past two years. A decrease of 700 ADA is anticipated during fiscal year 2006-07.

* Based on July 1 budget, included for analytical purposes only and has not been subjected to audit.
** Not determined.

See accompanying Notes to Supplementary Information.

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY INDENTIFYING NUMBER	PROGRAM EXPENDITURES
	GENERAL FUND			
	U.S. Department of Education:			
	Passed through CDE:			
	NCLB Title 1	84.010	13064	$ 8,478,859
	NCLB Title I, High Achieving Schools	84.010	14429	9,542
	NCLB Title I, Part A, Program Improvement	84.010	14581	280,994
☞	PL94-142, Education for the Handicapped			
	Local Assistance	84.027	13379	3,317,621
	Preschool Local Entitlement	84.027A	03682	365,176
	Federal Preschool	84.173A	13430	145,376
	Preschool Staff Development	84.173A	13431	1,429
	Early Intervention, Part C	84.181A	03761	82,195
	Title IV, 21st Century	84.287	14350	22,500
	McKinney Homeless Assistance Grant	84.196A	03697	65,000
	Title IV, CAPA	84.369	14488	470
	Title II, Part A, Improving Teacher Quality	84.367	14341	1,547,470
	Title IV (Drug Free Schools)	84.186A	03453	129,140
	Evenstart	84.213C	14331	150,586
	Title V, Innovative Strategies	84.298A	13340	155,577
	Title III, EETT	84.318	14334	222,416
☞	Reading First Grant	84.357A	14328	2,665,893
	Title III, Immigrant Education	84.365	14346	142,005
	Title III, LEP	84.365A	10084	1,565,048
	Total Department of Education			19,347,297

☞ Major Program

See accompanying Notes to Supplementary Information.

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY INDENTIFYING NUMBER	PROGRAM EXPENDITURES
GENERAL FUND (cont.)			
U.S. Department of Health and Human Services:			
Passed through CDE:			
Medi-Cal	93.778	10013	$ 9,804
Medi-Cal Administrative Activities	93.778	10060	157,806
Total Department of Health and Human Services			167,610
Total General Fund			19,514,907
CHILD DEVELOPMENT FUND			
U.S. Department of Health and Human Services:			
Passed through CDE:			
Quality Improvement	93.575	13979	16,122
Headstart EDA	93.600	10016	1,186,113
Total Department of Health and Human Services:			1,202,235
U.S. Department of Agriculture:			
Child Nutrition	10.558	03666	183,954
Total Child Development Fund			1,386,189
Grand Total			$ 20,901,096

See accompanying Notes to Supplementary Information.

SCHEDULE 6

ANAHEIM CITY SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT FORM

WITH AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

There were no adjustments for fiscal year 2005/06.

See accompanying Notes to Supplementary Information.

ANAHEIM CITY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2006

1. PURPOSE OF SCHEDULES

A. Average Daily Attendance

Average daily attendance 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 entities. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

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 46201 through 46206.

C. 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.

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Anaheim City School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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.

E. Reconciliation of Annual Financial and Budget Report Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of Long-Term Debt as reported on the Annual Form to the audited financial statements.

BOCETA, MACON, WORKMAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SAMUEL J. MACON, JR.
CPA

JEANETTE L. GARCIA
CPA

MEMBERS:

AMERICAN
INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

CALIFORNIA
SOCIETY OF
CERTIFIED PUBLIC
ACCOUNTANTS

1950 S. SUNWEST LN.
SUITE 300
SAN BERNARDINO
CALIFORNIA 92408

(909) 386-5420
FAX (909) 386-5424

www.bmwcpa.com

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

Board of Trustees
Anaheim City School District
Anaheim, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim City School District (the District) as of and for the year ended June 30, 2006 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether Anaheim City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anaheim City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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 the 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 Schedule of Audit Findings and Questioned Costs.

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 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 that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, and 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.

Beata Moran Workman + Associates

November 9, 2006

BOCETA, MACON, WORKMAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SAMUEL J. MACON, JR.
CPA

JEANETTE L. GARCIA
CPA

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

Board of Trustees
Anaheim City School District
Anaheim, California

Compliance

We have audited the compliance of Anaheim City School District (the 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, 2006. The District's major federal programs are identified in the summary of auditor's 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 the District's management. Our responsibility is to express an opinion on Anaheim City 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 the 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 legal determination on the District's compliance with those requirements.

In our opinion, Anaheim City 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, 2006.

1950 S. SUNWEST LN.
SUITE 300
SAN BERNARDINO
CALIFORNIA 92408

(909) 386-5420
FAX (909) 386-5424

www.bmwcpa.com

Internal Control Over Compliance

The management of Anaheim City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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.

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 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 Board of Trustees, management, the California Department of Education, the State Controller's Office, and 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.

Bocato Macon Workman & Associates

November 9, 2006

BOCETA, MACON, WORKMAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SAMUEL J. MACON, JR.
CPA

JEANETTE L. GARCIA
CPA

1950 S. SUNWEST LN.
SUITE 300
SAN BERNARDINO
CALIFORNIA 92408

(909) 386-5420
FAX (909) 386-5424

www.bmwcpa.com

AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Anaheim City School District
Anaheim, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim City School District (the District) as of and for the year ended June 30, 2006 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2006. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance 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 2005-06 issued by the Education Audit Appeals Panel. 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 opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuation	3	Yes
Independent Study	22	No (see below)
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable
Regional Occupational Center/Program	6	Not Applicable
Incentives for Longer Instructional Day:		
School Districts	4	Yes
County Offices of Education	3	Not Applicable
Gann Limit Calculation	1	Yes
Early Retirement Incentive Program	4	No (see below)
Community Day School	9	No (see below)
Morgan Hart Class Size Reduction Program	7	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class Size Reduction (including Charter Schools):		
General	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Yes
Districts and Charter Schools with Only One School Serving K-3	4	Not Applicable
Instructional Materials Funding Realignment Program		
General	12	Yes
K-8 Only	1	Yes
9-12 Only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
School Construction Funds		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Act (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study	15	Not Applicable
Additional Nonclassroom-Based Instruction	1	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes – Classroom-Based	3	Not Applicable

We did not test compliance for Independent Study and Community Day School because the District did not claim apportionment attendance for Independent Study and Community Day School. We did not test compliance for Early Retirement Incentive Program because the District did not participate in the program.

Based on our audit, we found that, for the items tested, the Anaheim City School District complied with the State laws and regulations referred to above, except as noted in the Schedule of Audit Findings and Questioned Costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Anaheim City School District had not complied with the State laws and regulations.

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

Bacata Mason Workmand Associates

November 9, 2006

Findings and Recommendations

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	______ Yes __X__ No
Reporting condition(s) identified not considered to be material weaknesses?	__X__ Yes ______ None reported
Noncompliance material to financial statements noted?	______ Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	______ Yes __X__ No
Reporting condition(s) identified not considered to be material weaknesses?	______ Yes __X__ None reported
Type of auditor's 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)?	______ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	Special Education Cluster
84.357A	Reading First Grant

ANAHEIM CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Awards (cont.)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 526,462
Auditee qualified as low-risk auditee?	X Yes ___ No

State Awards

Internal control over state programs:	
Material weakness(es) identified?	___ Yes X No
Reporting condition(s) identified not considered to be material weaknesses?	X Yes ___ None reported
Type of auditor's report issued on compliance for state programs:	Qualified

Section II – Financial Statement Findings

FINDING 2006-01
AB3627 Code 30000
Cash Clearing

It was noted during the audit that there were delays of 100 or more days from the date of receipt of monies to the date of the transmittal to the County. Some of the monies were receipted as far back as September 30, 2005 and were not deposited until January 2006. The three January transmittals containing dated receipts total $293,868.87.

RECOMMENDATION

The District should ensure that monies collected are transmitted to the County in a more timely manner. This will strengthen internal controls over cash, allow for the posting of revenues to the general ledger and maximize earnings on these monies.

DISTRICT RESPONSE

The District agrees with the Auditor's recommendation and has implemented procedures to ensure that deposits are made in a timely manner. Cash received is receipted daily, and transmittals are prepared and sent to the County office on a weekly basis.

Section III - Federal Award Findings and Questioned Costs.

None Reported.

Section IV – State Award Findings and Questioned Costs.

FINDING 2006-02
AB3627 Code 10000
Attendance Reporting

Specific Requirement: Education Code 41601 states, "The governing board of each school district shall report to the Superintendent of Public Instruction during each fiscal year the average daily attendance of the district all full school months during (1) the period between July 1st and December 31st, inclusive, to be known as the "first period" report for the first principal apportionment, and (2) the period between July 1st and April 15th, inclusive, to be known as the "second period" report for the second principal apportionment. It further states, "Each report shall be prepared in accordance with instructions on forms prescribed and furnished by the Superintendent of Public Instruction." Additionally, the Standards and Procedures for Audits of California K-12 Local Education Agencies issued by the State Controller requires that because of the relationship between attendance and state apportionments, each LEA must develop and maintain accurate and adequate attendance records to support the attendance report to the state.

Condition: The computerized spreadsheets used to accumulate the days of attendance and to calculate the average daily attendance contain several input errors.

Questioned Costs: Not applicable.

Context: Not applicable.

Effect: The District's Report of Attendance for the Second Period was understated by 49.83 ADA and the Report of Attendance for Annual was overstated by 1.71 ADA. The potential monetary effect is an increase in revenue limit apportionment in the amount of $245,925. However, since the District is experiencing declining enrollment, there will be no effect on the District's apportionment for 2005/06.

Cause: Unknown

Recommendation: For each reporting period, especially second period, prior to the submission of the attendance reports, a detailed review of the District's Report of Attendance and the supporting worksheets should be performed by someone other than the original preparer. The worksheets should be reviewed to ensure that they are mathematically correct and reviewed for possible input errors by comparisons of reported ADA for the period to the prior period. Any material differences should be verified to ensure that the data being reported is correct. Additionally, the District should and has revised the Report of Attendance for the Second Period and for Annual to reflect the correct ADA.

District Response: The District agrees with the Auditor's recommendation and has submitted a revised P-2 Attendance Report to the State that reflects an increase of 49.83 ADA. Likewise, the District has submitted a revised Annual Attendance Report that reflects a reduction of 1.71 ADA.

Prior to each reporting period, attendance worksheets are reviewed to ensure that reports are mathematically correct and do not contain input errors. Material differences are verified for accuracy prior to submission. During fiscal year 2006-07 the District implemented a new student attendance system that will streamline attendance reporting and minimize mathematical and input errors.

FINDING 2006-03
AB3627 Code 10000
Kindergarten Continuation

Specific Requirements: Education Code Section 46300(g) allows a school district to include in its average daily attendance kindergarten pupils who have already completed one school year in kindergarten only if the school has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the CDE and signed by the pupil's parent or guardian near the anniversary date of the pupil's kindergarten attendance.

Condition: We noted that at Henry Elementary School, two kindergarten continuation forms were not signed near the anniversary date. Of the two forms, one was signed 10 months before the anniversary date and one was signed 6 months before the anniversary date.

Questioned Costs: Not Applicable

Context: We tested the two kindergarten enrollment in 4 schools (607 total pupils) and noted that two students did not have kindergarten continuation forms signed near the anniversary date.

Effect: For the students retained, we estimate that P2 ADA is overstated by .46 ADA.

Cause: Unknown

Recommendation: The District must revise the Second Period Report of Attendance to disallow the .46 ADA claimed for the two students.

District Response: The finding should be stated as an improper collection of P2 ADA for .46 kindergarten ADA. Forms are signed by the parents to document parent authorization for a child to repeat a grade experience and not solely for apportionment purposes.

The District agrees to amend the second Period report of attendance to disallow the .46 ADA claimed for two kindergarten retention students.

FINDING	RECOMMENDATION	STATUS	EXPLANATION IF NOT FULLY IMPLEMENTED
Attendance Reporting – 10000 The computerized spreadsheets used to accumulate the days of attendance and to calculate the average daily attendance contain several input errors in the third month. The District's Report of Attendance for the Second Period was understated by 5.05 ADA, approximately $23,903. The formula errors only affected the Second Period reporting. The Report of Attendance for Annual was correct.	For each reporting period, especially second period, prior to the submission of the attendance reports, a detailed review of the District's Report of Attendance and the supporting worksheets should be performed by someone other than the original preparer. The worksheets should be reviewed to ensure that they are mathematically correct and reviewed for possible input errors by comparisons of reported ADA for the period to the prior period. Any material differences should be verified to ensure that the data being reported is correct. Additionally, the District must revise the Report of Attendance for the second period to reflect the understatement of ADA previously reported.	Not Implemented	See current year Findings and Recommendations
Class Size Reduction - 40000 The formula to calculate the average enrollment was incorrect. It did not include some classes from grade 2. The average class sizes were understated by a total of 1,314 students. The District underclaimed Class Size Reduction Funding in the amount of $1,219,392.	The District should and has revised and resubmitted the Form J-7CSR. The Form J-7CSR and the supporting worksheets should be reviewed for accuracy prior to submission by someone other than the preparer.	Implemented	

November 9, 2006

Carol Berg
Deputy Superintendent, Administrative Services
Anaheim City School District
Anaheim, California

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim City School District, for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted several matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent non-material conditions noted by the audit that we consider important enough to bring to your attention. We previously reported on the District's internal control structure in our report dated November 9, 2006. The Schedule of Audit Findings and Questioned Costs Section of the audit report dated November 9, 2006, contains certain reportable conditions in the District's internal control structure. This letter does not affect our report dated November 9, 2006, on the financial statements of Anaheim City School District.

<u>Cash Disbursements - 30000</u>
We noted two instances where credit card purchases were not appropriate per the credit card policy. The credit card policy states that only travel related purchases are acceptable. To avoid improper usage of the District credit card, all purchases should be related only to travel expenses. If other expenses are allowable, the District should revise the credit card policy.

<u>Revolving Cash - 30000</u>
It was noted that two of fourteen reimbursements tested were over the limit allowed for purchases of instructional and incidental supplies for school district purposes. According to District policy, reimbursement to employees for the purchase of instructional and incidental supplies for school district purposes should be at least $50.00 and not exceed $100.00.

Cash Clearing - 30000

A. It was noted during the audit that receipts were not always being written at the time monies are received. We noted two deposits in January that were not receipted at the time they were received. One of the deposits was for fundraising monies in the amount of $495.00. It was not receipted until March. The second deposit was for checks totaling $320. The monies for this deposit were received in January and were not receipted until the time of audit in April. Pre-numbered receipts should be issued for all monies as soon as they are received, regardless if the monies were in the form of cash or check.

B. It was noted that money received at the District is not always deposited to the bank in a timely manner. We noted an instance where a check received on January 11, 2006, in the amount of $300 was not deposited until March 13, 2006. This resulted in a delay of 61 days. In addition, money received on January 5, 2006, in the amount of $7.23 and money received February 7, 2006 in the amount of $36.30 were delayed 13 and 16 days, respectively. To strengthen internal controls over cash, monies should be deposited in a more timely manner, at least once a week and daily for amounts over $10,000. It is recommended that monies not be held at the District over weekends or holidays.

C. We noted a check in the amount of $13,317.83 from the Child and Adult Care Food Program that was placed in the safe for over 30 days. The check was written January 4, 2006 and was not deposited to the County until February 28. Per communications with District personnel, the check was not deposited because an account code was not assigned to it. To strengthen internal controls over cash receipts, deposits should be made timely, at least once a week. It is recommended that monies not be held at the District over weekends or holidays.

Associated Student Body Funds - Lincoln Elementary School - 30000

We noted that receipts are not being written for ASB monies received at the school site. We also noted that outdoor education money is being deposited into the ASB account instead of the District's Cash Clearing Account. Additionally, we noted two instances of 13 day delays between the date the money was collected and the date it was deposited into the bank. We were able to determine the delay from the cash collection reports that are completed, which indicate the date and the amount to be deposited. To ensure proper controls over cash, all cash collections should be counted and receipted when received and deposited into the bank timely, at least once a week. Also, only monies for the ASB account should be deposited into the ASB bank account.

Attendance Reporting - Jefferson Elementary School - 10000

Differences were noted between the teacher's source document and the monthly attendance report. Two absences were recorded on the monthly report but not on the attendance rosters. To verify accuracy of attendance data, the monthly attendance report should be compared to the teachers' source documents to ensure that absences are correctly reported.

Attendance Reporting - Henry Elementary School - 10000

Differences were noted between the teacher's source document and the monthly attendance report. Two absences were recorded on the monthly report but not on the attendance rosters. To verify accuracy of attendance data, the monthly attendance report should be compared to the teachers' source documents to ensure that absences are correctly reported.

Attendance Reporting - Lincoln Elementary School - 10000

It was noted that three teachers did not sign their attendance rosters and monthly reports to verify accuracy. To ensure the accuracy of the attendance data, teachers should sign the monthly attendance reports and rosters to attest to the accuracy of the attendance data.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yours very truly,

Samuel J. Macon, Jr., CPA
Partner

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2007 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2007 Bonds in substantially the following form:

[Delivery Date]

Board of Education
Anaheim City School District
Anaheim, California

Anaheim City School District
General Obligation Bonds, Election of 2002, Series 2007
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Anaheim City School District (the "District"), in connection with the issuance by the County of Orange, California (the "County"), on behalf of the District, which is located in the County, of $44,881,415.65 aggregate principal amount of bonds designated as "Anaheim City School District General Obligation Bonds, Election of 2002, Series 2007" (the "Series 2007 Bonds"), representing part of an issue in the aggregate principal amount of $111,000,000 authorized at an election held in the District on March 5, 2002. The Series 2007 Bonds are issued under and pursuant to a resolution of the Board of Supervisors of the County adopted on November 14, 2006 (the "County Resolution"), at the request of the District pursuant to a resolution of the Board of Education of the District adopted on October 23, 2006 (the "District Resolution"). The Series 2007 Bonds consist of $9,710,000.00 aggregate principal amount of current interest Series 2007 Bonds and $35,171,415.65 aggregate initial principal (denominational) amount of capital appreciation Series 2007 Bonds.

In such connection, we have reviewed the District Resolution, the County Resolution, the Tax Certificate of the District dated the date hereof (the "Tax Certificate"), the opinion of counsel to the County, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the District Resolution, the County Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Series 2007 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2007 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2007 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2007 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2007 Bonds, the District Resolution, the County Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the capital appreciation Series 2007 Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated January 23, 2007, or other offering material relating to the Series 2007 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2007 Bonds constitute valid and binding obligations of the District.

2. The District Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the County.

4. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2007 Bonds and the interest thereon.

5. Interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Series 2007 Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Anaheim City School District (the "District") in connection with the issuance of $44,881,415.65 aggregate principal amount of Anaheim City School District General Obligation Bonds, Election of 2002, Series 2007 (the "Series 2007 Bonds"), consisting of $9,710,000.00 principal amount of current interest Series 2007 Bonds and $35,171,415.65 initial principal (denominational) amount of capital appreciation Series 2007 Bonds. The Series 2007 Bonds are being issued pursuant to a resolution (the "County Resolution") adopted by the Board of Supervisors of the County of Orange (the "County") on November 14, 2006, at the request of the Board of Education of the District by its resolution adopted on October 23, 2006. The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Series 2007 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2007 Bonds (including persons holding Series 2007 Bonds through nominees, depositories or other intermediaries).

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

"Holder" shall mean the person in whose name any Series 2007 Bond shall be registered.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission may be found at the following Internet address: http://www.sec.gov/info/municipal/nrmsir.htm.

"Official Statement" shall mean the Official Statement, dated January 23, 2007 (including all exhibits or appendices thereto), as supplemented, relating to the offer and sale of Series 2007 Bonds.

"Participating Underwriter" shall mean any of the original Underwriter of the Series 2007 Bonds required to comply with the Rule in connection with offering of the Series 2007 Bonds.

"Repository" shall mean each National Repository and the 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 the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. <u>Provision of Annual Reports</u>. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2006-2007 Fiscal Year (which is due not later than April 1, 2008), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof.

(b) Not later than 15 Business Days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) 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 the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the current fiscal year;

(ii) The assessed value of taxable property in the District as shown on the most recent equalized assessment roll;

(iii) If the County no longer includes the tax levy for payment of the Series 2007 Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year; and

(iv) The top twenty property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable values, and their percentage of total secured assessed value if material.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to 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 District 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, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2007 Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties;

(v) substitution of the credit or liquidity providers or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds;

(vii) modifications to rights of Holders;

(viii) optional, contingent or unscheduled bond calls;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Series 2007 Bonds; and

(xi) rating changes.

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board, and with the State Repository. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (viii) and (ix) of subsection (a) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2007 Bonds pursuant to the County Resolution.

Section 6. Electronic Filing. Submission of Annual Reports and notices of Listed Events to DisclosureUSA.org or another "Central Post Office" designated and accepted by the S.E.C. shall constitute compliance with the requirement of filing such reports and notices with each National Repository and any State Repository hereunder.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2007 Bonds. If such termination occurs prior to the final maturity of the Series 2007 Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c) hereof.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2007 Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2007 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the County Resolution for amendments to the County Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2007 Bonds.

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

Section 10. <u>Additional Information</u>. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. <u>Default</u>. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series 2007 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the County Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. <u>Duties, Immunities and Liabilities of Dissemination Agent</u>. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2007 Bonds.

Section 13. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2007 Bonds, and shall create no rights in any other person or entity.

Dated: February 13, 2007

ANAHEIM CITY SCHOOL DISTRICT

By: ______________________________________

Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	ANAHEIM CITY SCHOOL DISTRICT
Name of Issue:	ANAHEIM CITY SCHOOL DISTRICT GENERAL OBLIGATION SERIES 2007 BONDS, ELECTION OF 2002, SERIES 2007
Date of Issuance:	February 13, 2007

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Series 2007 Bonds as required by Section 3 of the Continuing Disclosure Certificate of the District, dated February 13, 2007. [The District anticipates that the Annual Report will be filed by _____________.]

Dated: __________

ANAHEIM CITY SCHOOL DISTRICT

APPENDIX E

SUMMARY OF COUNTY OF ORANGE INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL

The following information has been provided by the County Treasurer. The District has not independently verified this information and takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

The Resolution provides that unless the District provides the County Treasurer with written instructions to the contrary, all amounts held in the funds and accounts established under the Resolution, including the Building Fund and the Interest and Sinking Fund previously described, will be invested in the Orange County Educational Investment Pool (as described below). In addition, in accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the County Treasurer.

The County Treasurer has been granted the authority to deposit and invest County and County agency funds under the County Treasurer's control pursuant to California Government Code Section 27000 et seq. and Section 53600 et seq. and certain actions of the County Board of Supervisors. Additionally, school districts located in the County are required to deposit their moneys with the County Treasurer pursuant to the California Education Code. The deposits of funds from other districts and local agencies may be invested with the County Treasurer pursuant to a procedure established by California Government Code Section 53684 and other statutory provisions.

The County Treasurer is to adhere to the strict guidelines for permitted investments established by the County's "Investment Policy Statement" (the "Investment Policy"), which applies solely to funds currently invested by the County Treasurer in the Orange County Investment Pool (the "Commingled Pool"), the Orange County Educational Investment Pool (the "Educational Pool") and the John Wayne Airport Investment Pool (together with the Commingled Pool and the Educational Pool, the "Pools"). See Appendix F: "COUNTY INVESTMENT POLICY." Certain other funds are invested separately and are not subject to the Investment Policy. The Investment Policy requires investment of public funds in a manner which will, in order of priority, maintain safety of principal, meet fund participants' daily cash flow needs and achieve the highest yields, while conforming to all applicable State statutes and Board of Supervisors' actions regarding public funds investment. The Investment Policy establishes a Money Market Fund and Extended Fund as components of the Pools (currently, the John Wayne Airport Pool does not participate in the Extended Fund). The County Treasurer shall determine, on a cash flow basis, the percentage of moneys to be invested in both the Money Market Fund and Extended Fund. The maximum maturity of investments under the Money Market Fund is 13 months, with a maximum weighted average maturity of 90 days. The maximum maturity of the Extended Fund is 3 years, with a maximum weighted average maturity of 18 months. The investments in the Pools are marked to market daily to determine the value of the Pools. To further maintain safety, the County Treasurer is required to adhere to an investment strategy of diversification in regard to instruments and maturities, as well as maintain internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization and qualified financial broker-dealers.

The assets in the Pools are required by the Investment Policy to consist of only the following investments and no more than maximum permissible concentrations (stated in parentheticals): U.S. Treasury instruments backed by the full faith and credit of the United States government (100%); obligations issued or guaranteed by agencies of the United States government (100%); commercial paper of "prime" quality with a high rating (A-1/P-1/F-1) provided by two of Moody's, S&P and Fitch, with further restrictions regarding issuer size and maturity (45% Money Market Fund (up to 50% upon meeting Weighted Average Credit Rating of AA- or higher), 40% Extended Fund and 40% aggregate of both Money Market and Extended Fund); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or by a state-licensed branch of a foreign bank, the Money Market Fund may invest in U.S. dollar denominated certificates of deposit issued in London, England (Euro CD) (30%); banker's acceptances, with a maturity not to exceed 180 days and where issuer banks are rated by two of Moody's, S&P and Fitch and such rating is not below P-1, A-1, F-1 (40%); money market funds (20%; no more than 10% may be invested in any one money market fund); State of California or municipal debt rated at least "A" by two of Moody's, S&P or Fitch and short-term debt rated at least MIG 1/VMIG 1, SP-1, or F-1 by two of Moody's, S&P or Fitch with no less than an "A" rating on long-term (10%); "AA" or better receivable-backed securities where the issuer is rated A or better by two of Moody's, S&P and Fitch (10%); medium-term notes, rated A or better by at least two of Moody's, S&P and Fitch, which note issuer has a short-term rating, if any, not less than A-1, P-1 or F-1, for the Extended Fund, medium term notes with an AAA rating by two of Moody's, S&P and Fitch may have a maturity greater than 397 days (not to exceed 3 years) (30%); the Money Market Fund may invest in funding agreements with a rating of not less than A-1, P-1 or F-1 by two of Moody's, S&P or Fitch (10%); the Money Market Fund may also invest in such other securities that are "eligible securities" under SEC Rule 2a-7 of the Investment Company Act or 1940 and meets other applicable requirements of Government Code section 53601.7 (10%); and repurchase agreements and securities lending agreements (50%). Repurchase agreements are limited to maturities of one year or less and must be collateralized by securities described in California Government Code Section 53601, provided the collateral value is maintained at 102% of repurchase price. Securities lending agreements must meet the requirements of Government Code sections 53601 and 53601.7(f)(4). In addition, no investment may be purchased from an issuer that has been placed on credit watch - negative by any rating agency, or whose credit rating or investment rating falls below the minimum levels specified above unless the issuer has a short-term rating of A-1+ or F-1+ by S&P or Fitch or at least an AA or Aa2 long-term rating by S&P and Fitch or Moody's. All permitted investments are required to comply in every respect with applicable California Government Code provisions.

The Investment Policy expressly prohibits leverage, reverse repurchase agreements, structured notes or any investment commonly considered a derivative instrument. Under the Investment Policy, no more than 5% of the total market value of the funds within the Pools may be invested in securities of any one issuer, with the exception of obligations of the United States Treasury, federal agencies or United States government-sponsored enterprises. At the time of purchase of any security, a fund may invest up to twelve and a half percent (12.5%) of its total market value in the securities of a single issuer for a period of up to three business days. In addition, no more than 10% of the total market value of the funds within the Pools may be invested in one money market mutual fund. All investments will be United States dollar denominated and marked to market daily.

Treasury oversight is conducted by the County Treasury Oversight Committee, established in December 1995, which is comprised of the County Executive Officer, the County Auditor-Controller, the County Superintendent of Schools or designee and two public members. In addition, the Investment Pool is rated by both Moody's and Fitch, who have assigned the investment ratings of "AAA/MR-1" and "AAA/V 1+," respectively.

As of December 31, 2006, the market value of the Educational Investment Pool (combined money market fund and extended fund) was $3,014,172,836. The diversification of the Educational Investment Pool's assets at market value as of such date was repurchase agreements (3.65%), U.S. Government Agencies (22.56%), commercial paper (37.61%), certificates of deposit (22.89%), medium-term notes (11.86%) and money market funds (1.43%). As of December 31, 2006, the market value of the school moneys invested in the Money Market Fund was $2,364,291,301. In addition, as of December

31, 2006, the market value of school moneys invested in the Extended Fund was $649,881,535. The weighted average maturity of all school investment pool moneys was 131 days. The current yield of the school investments in the Educational Investment Pool at December 31, 2006, was 5.20%. In total, on a cost basis on such date, the County Treasurer had $6,970,358,757 under investment in the Pools and various other separately managed investments.

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX F

COUNTY INVESTMENT POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

Orange County Treasurer

Investment Policy Statement

(Approved January 31, 2006)

TABLE OF CONTENTS

Page No.

I.	Policy Statement	3
II.	Objectives	4
III.	Scope	5
IV.	Authorized Investments	5
V.	Investment Restrictions and Prohibited Transactions	9
VI.	Diversification and Maturity Restrictions	11
VII.	Ethics and Conflict of Interest	13
VIII.	Authorized Financial Dealers and Qualified Institutions	14
IX.	Performance Evaluation	14
X.	Safekeeping	14
XI.	Collateralization	14
XII.	Maintaining the Public Trust	15
XIII.	Internal Controls	15
XIV.	Compensation Agreement	16
XV.	Voluntary Participants	16
XVI.	Withdrawal	17
XVII.	Performance Standards	17
XVIII.	Investment Policy Review	17
XIX.	Financial Reporting	18
XX.	Legislative Changes	18
XXI.	Disaster Recovery Program	18

ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

INTRODUCTION

The Orange County Treasurer's Investment Policy Statement is filed annually with the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. This Investment Policy Statement applies to the Investment Funds ("the Funds"), the Money Market Fund and the Extended Fund, managed by the Orange County Treasurer's office.

The Funds are comprised of the following separate Pools which are each invested in accordance with this Investment Policy Statement:

1. The Orange County Investment Pool
2. The Orange County Educational Investment Pool
3. John Wayne Airport Investment Pool

I. POLICY STATEMENT

It is the policy of the Orange County Treasurer (the "Treasurer") to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on achieving the highest yield while meeting the daily cash flow needs of the pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds.

The Orange County Investment Funds are designed to meet both the investment and cash requirements of our participants. The Treasurer shall determine on a cash flow basis what percent of available cash will be invested in both Funds.

The Money Market Fund is invested in cash-equivalent securities, therefore providing liquidity for immediate cash needs. This fund is based on the investment guidelines detailed in California Government Code Section 53601.7, which parallels Rule 2a-7.

The Extended Fund is for cash requirements past one year. This Fund will be invested in high grade securities for yield enhancement. This fund is based on California Government Code Section 53601 and 53635.

The Treasurer's investment holdings may include "specific investments" that were made upon the authorization of a participant's governing board or for bond proceeds as permitted in a bond's official documents. Specific investments may fall outside the parameters of this Investment Policy Statement.

The above short-term investment pools may include deposits that are set aside for future needs of a long-term nature and may, therefore, be appropriately invested in longer term securities. Identified deposits suitable for a longer investment strategy, such as, matching maturities with long-term liabilities will be invested according to the prudent man rule (Section III. Scope). These deposits, established as a specific investment, may be invested in a laddered portfolio for up to ten years. The Treasurer may phase in purchases of various maturities over a four-year period. These investments will be held to maturity, unless market conditions dictate otherwise and approval by the parties involved has been received. Credit risk is eliminated through the purchase of various forms of U.S. Treasury securities. Participating agencies will sign a written agreement acknowledging that there may be interest-rate risk that would be avoided by holding investments to maturity. This agreement will be reviewed with the participating agency on an annual basis.

II. OBJECTIVES

The primary objectives, in priority order, of the Treasurer's investment activities shall be:

1. **SAFETY OF PRINCIPAL**
   Safety of principal is the foremost objective of the Treasurer. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition.

2. **LIQUIDITY**
   The Money Market Fund will be substantially liquid for the purpose of meeting all operating requirements which might be reasonably anticipated. "Liquidity" refers to the recurring maturity of a portion of the investment portfolio, as well as, the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.

3. **YIELD**
   The Funds are designed with the objective of attaining a competitive rate of return throughout budgetary and economic cycles, which is commensurate with the Funds' investment risk constraints and the cash flow characteristics of each portfolio.

   Although the Treasury may employ certain indexes with respect to the Funds' intention of earning a competitive rate of return, such index(es) shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual Fund performance.

4. **MARK-TO-MARKET**
   To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, the Money Market Fund will attempt to stabilize at a $1 net asset value (NAV). If the ratio of the market value of the Money Market Fund divided by the book value of the

Money Market Fund is less than $.995 or greater than $1.005, holdings may be sold as necessary to maintain the ratio between $.995 and $1.005.

The Treasurer will act on a "best efforts" basis to stabilize the Money Market Fund within the $.995 to $1.005 range, however, the $1 Net Asset Value is not guaranteed or insured by the Treasurer.

III. SCOPE

By County Resolution #03-377, effective December 9, 2003, the County Board of Supervisors has delegated to the Treasurer authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County Treasurer 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.

The standard of prudence to be used by County investment officers shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers shall act in accordance with written procedures and investment policy and exercise due diligence and shall report in a timely fashion and exercise appropriate action to control adverse developments.

IV. AUTHORIZED INVESTMENTS

Consistent with the requirements of law and this Investment Policy, the Treasurer may place orders for the execution of transactions with or through such brokers, dealers, banks and repurchase agreement counter parties as may be selected from time to time in his/her discretion.

To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Section V and VI, the assets of both the Money Market and Extended Funds may be invested in the following areas:

1. **U. S. TREASURY SECURITIES**
   United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. **U. S. GOVERNMENT AGENCY SECURITIES**
   Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

3. **COMMERCIAL PAPER**
   Eligible commercial paper shall not exceed 270 days maturity nor represent more than 10% of the outstanding paper of any single issuer. Issuers of commercial paper must meet the following criteria:
   a. Organized and operating in the United States as a general corporation, special purpose corporation, trust, or limited liability company.
   b. Have total assets in excess of five hundred million dollars ($500,000,000) or programwide credit enhancements, such as, overcollateralization, letters of credit or surety bond.

4. **NEGOTIABLE CERTIFICATES OF DEPOSIT**
   Negotiable certificates of deposit issued by a U.S. national or state-chartered bank or state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank. The Money Market Fund is authorized to purchase U.S. Dollar denominated certificates of deposit issued from the London, England branch of foreign and U.S. domestic banks (euro certificates of deposit). Eligible foreign banks must have branches or agencies in the U.S.

5. **REPURCHASE AGREEMENTS & SECURITIES LENDING AGREEMENTS**
   Investments in repurchase agreements and/or securities lending agreements may be made on any securities authorized herein. Agreements are subject to California Government Code Section 53601.7 and must comply with the delivery requirements and the maturity provision from Section 53601.

   Investments in repurchase agreements for the purpose of this policy (as defined by section 53601 and 53601.7(e)(8) of the California Government Code) means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The final maturity of repurchase agreements shall not exceed one year. The term "securities," for the purpose of repurchase agreements, shall mean securities of the same issuer, description, issue date, and maturity.

   To participate in repurchase agreements, a Public Securities Association (PSA) must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the Agreement. At a minimum, the collateral for repurchase agreements must be valued at 102% (market value of principal and accrued interest), and shall be adjusted no less frequently than weekly. For compliance purposes, the investment restrictions from Section V.4. herein consider U. S. Treasury and/or agency collateral exempt from issuer limits. Repurchase agreements collateralized by all other authorized securities will be subject to the 5% maximum using the seller (broker/dealer) as the issuer.

Securities Lending Agreements (as defined by section 53601 and 53601.7(f)(4) of the California Government Code) means an agreement with a local agency transferring securities to a borrower who in turn provides specific collateral (securities and/or cash) to the local agency. During the term of the agreement both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral. An agent may be used to facilitate the transferring of securities to a borrower. The final maturity of a securities lending agreement shall not exceed 92 days.

To participate in securities lending agreements, a covenant must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of this covenant.

6. **BANKERS ACCEPTANCES**
   Primarily used to finance international trade, bankers acceptances are time drafts (bills of exchange) drawn on and accepted by a commercial bank. Purchases of bankers acceptances shall not exceed 180 days maturity. Issuing banks must be rated by at least two of the nationally recognized rating agencies.

7. **MONEY MARKET MUTUAL FUNDS**
   Shares of beneficial interest issued by diversified management companies, also known as mutual funds, invest in the securities and obligations authorized by California Government Code Sections 53601(k) (for the Extended Fund) or 53601.7(e)(10) (for the Money Market Fund)~~,~~. Mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement. At a minimum, approved mutual funds will be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.) and shall have met either of the following criteria:

   a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized rating services.

   b. Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized by California Government Code Section 53601 subdivisions (a) to (j) and (m) to (n) and with assets under management in excess of $500,000,000.

8. **STATE OF CALIFORNIA OR MUNICIPAL DEBT**
Such bonds are defined as being issued by a local California agency, including:

a. Bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b. Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

c. Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

9. **RECEIVABLE-BACKED SECURITIES**
Consumer receivable pass-through certificate or consumer receivable-backed bond with a maximum of 90 days maturity. Securities eligible for investment shall have a credit rating of "AA" or better and its issuer shall have a credit rating of "A" or higher for the issuer's debt by at least two nationally recognized rating services.

10. **MEDIUM-TERM NOTES**
Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity not more than 397 days for the Money Market Fund and three years for the Extended Fund. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

11. **FUNDING AGREEMENTS**
Contracts issued by insurance companies provide the holder with the right to receive a fixed or variable rate of interest and the full return of principal at the maturity date. Only the Money Market Fund may invest in Funding Agreements.

12. **OTHER**
Securities that meet the terms of an "eligible security" as defined under SEC Rule 2a-7 of the Investment Company Act of 1940 including liquidity notes, extended commercial notes, any security with an unconditional demand feature, guarantee, or put, etc. Any eligible security not detailed in this document will be limited to 10 percent of the Money Market Fund and have a maturity of 397 days or less. Only the Money Market Fund may invest in securities classified as "other."

V. INVESTMENT RESTRICTIONS AND PROHIBITED TRANSACTIONS

1. CREDIT MINIMUM:

The credit ratings referred to below are assigned by Nationally Recognized Statistical Rating Organization (NRSRO).

Short-term debt – (two of the following)

"A-1"or "SP-1"	Standard & Poor's Corporation (S&P)
"P-1"or "MIG 1/VMIG 1"	Moody's Investors Service, Inc. (Moody's)
"F-1"	Fitch Ratings (Fitch)

An issuer of short-term debt must have no less than an "A" on long-term debt, without regard to +/- or 1,2,3 modifiers, if any.

Long-term debt –

Shall be rated no less than an "A-", for the Money Market Fund and "AAA" for the Extended Fund (on securities with a maturity over 397 days), without regard to +/- or 1,2,3 modifiers, by two NRSRO's .

If an issuer of long-term debt has a short-term rating it must meet the requirements above.

2. **CREDIT RATING AVERAGE- PORTFOLIO**
The Treasurer's Investment Division will compute the portfolio's month-end weighted average credit rating (WACR) for purposes of section VI.3 (chart #3). The following matrix is the basis of the WACR computation:

Long-Term Rating Scales Comparison

	Long-Term Rating	Short-Term Rating*
1	AAA / Aaa	
2	AAA / Aa1 or AA+ / Aaa	
3	AA+ / Aa1	A1+ / P1
4	AA+ / Aa2 or AA / Aa1	
5	AA / Aa2	
6	AA / Aa3 or AA- / Aa2	
7	AA- / Aa3	A1 / P1
8	AA- / A1 or A+ / Aa3	
9	A+ / A1	
10	A+ / A2 or A / A1	
11	A / A2	
12	A / A3 or A- / A2	A1 / P2 or P2 / A1
13	A- / A3	
Inconsistent credit ratings are deferred to the lower level. * Use only if there is no Long-Term Rating.		

3. No more than 5% of the total market value of the Funds may be invested in securities of any one issuer with the exception of obligations of the U.S. Treasury, federal agencies, and U. S. government-sponsored enterprises.

   At the time of the purchase of any security, a fund may invest up to twelve and a half percent (12.5%) of its total market value in the securities of a single issuer for a period of up to three Business Days. The fund may not invest in the securities of more than one issuer under this provision at any time.

   No more than 10% may be invested in one Money Market Mutual Fund.

4. All investments will be U.S. dollar denominated.

5. Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy Statement must be documented and approved by the Treasurer in writing. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical.

6. At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with California Government Code Sections 53601, 53601.1, 53601.2, 53601.6, 53601.7, 53631.5, and 53635 as such may be amended from time to time. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction. Furthermore, if a credit rating standard is adhered to at the time of purchase, a later downgrade in credit rating will not constitute a violation of that standard. Securities which are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

7. Borrowing for investment purposes ("Leverage") is prohibited.

8. Reverse Repurchase Agreements, as defined by California Government Code Section 53601.7(e)(8) or otherwise are prohibited. See IV.7. for money market mutual funds.

9. Instruments known as “Structured Notes” (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities) and “Derivatives” (e.g. options, futures, swaps, caps, floors, collars) are prohibited. For the purpose of identifying ineligible securities, the definition of prohibited “Structured Notes” and “Derivatives” includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

   Simple “floating rate notes,” whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are considered an eligible investment. Eligible "floating rate notes" (U. S. Government Agencies, Certificates of Deposit, Medium-Term Notes, etc.), must meet all quality, maturity and percent limitations assigned to their respective security category.

Callable securities, which otherwise meet the quality, maturity and percent limitations assigned to their respective security category, are considered to be an acceptable investment. U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips and Resolution Funding Corporation (REFCORP) strips are considered to be an acceptable investment. No investment prohibited by California Government Code Sections 53601.6 shall be permitted herein.

10. Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be removed from our approved list unless the following criteria are met:

The issuer has: (a) an A-1+ or F-1+ short-term rating; or,
(b) at least an AA or Aa2 long-term rating.

VI. DIVERSIFICATION AND MATURITY RESTRICTIONS

The money market fund is authorized to purchase an additional 5-percent of its total assets in any authorized investment type except commercial paper, Section IV, for a period not to exceed 30 business days. The Treasurer may not invest over the maximum maturities criteria or weighted average maturity (WAM) limitations. The Treasurer's monthly management report will specify any investing under the above provision.

Commercial paper holdings in the Money Market Fund may increase up to 50 percent of the total assets if the portfolio's month-end weighted average credit rating (WACR) remains at AA- or higher. The Treasurer's Investment Committee will review on a monthly basis the portfolio's compliance. If the month-end WACR has decreased below AA-, commercial paper holdings will be returned to a maximum of 45 percent through attrition.

Except as noted above, diversification standards by security type for the Money Market Funds and Extended Fund shall comply with the following:

1. U.S. Treasuries and securities having principal and/or interest guaranteed by the U.S. Government	100%
2. U.S. Government agencies, and government sponsored enterprises	100%
3. Commercial Paper – Money Market Fund Commercial Paper – Extended Fund Commercial Paper – Combined	no more than 45% no more than 40% no more than 40%
4. Negotiable Certificates of Deposit	no more than 30%
5. Repurchase Agreements	no more than 50%
6. Bankers' Acceptances	no more than 40%
7. Money Market Funds	no more than 20%
8. State and Local Agency Obligations	no more than 10%
9. Receivable-Backed Securities	no more than 10%
10. Medium-Term Notes	no more than 30%
11. Funding Agreements and Other	no more than 10%

1. The average maturity of the Funds, on a dollar-weighted basis, will be as follows:

Money Market Fund	not to exceed 90 days
Extended Fund	18 months

2. The maximum maturity of any portfolio instrument purchased by the Funds will be:

Money Market Fund	13 months (397 days)
Extended Fund	3 years

3. The maturity of a variable-rate security may be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

4. It is the policy of the Treasurer to diversify the Funds' portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer's Investment Committee and periodically reviewed.

VII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions which conduct business with the County of Orange and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Orange's investment portfolio.

On May 10, 1993, the Orange County Board of Supervisors passed the "Orange County Gift Ban Ordinance" (see Exhibit B attached). This ordinance prohibits the receipt of specified gifts to "designated employees" including members of the Treasury Oversight Committee. All designated employees shall complete on an annual basis the State of California Form 700, Statement of Economic Interests Disclosure. In addition, designated employees are subject to the State Gift Ban restrictions. Should any conflicts be disclosed, the Treasurer will resolve such matters as soon as practical.

For the purposes of this section, “designated employees” include the following employees of the Treasurer’s office: the Assistant Treasurer-Tax Collector, the Deputy Treasurer, all Investment Officers, all Financial Analysts, all Cash Managers, and all Accounting and Compliance Officers. The Treasurer will review this list annually and he shall submit any proposed changes to the Treasury Oversight Committee (TOC) for concurrence and adoption.

VIII. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

A list of broker/dealers (Qualified Institutions) authorized to provide investment products to the Treasurer shall be maintained. Any permitted investment, not purchased directly from the issuer, shall be purchased either from a “primary” or regional broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) or a “well capitalized” financial institution, as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4. Qualified institutions must comply with the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board (Section 27133(c)). A detailed questionnaire is required to be completed by securities dealers and financial institutions wishing to be approved (see attached Exhibit A). The Treasurer shall make a best effort to conduct an annual review of each Qualified Institution’s financial condition and registrations to determine whether it should remain on the approved list.

IX. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the Pool participants, the Chief Executive Officer, the Internal Audit Director, the Auditor-Controller and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 3 and 31, the Treasurer shall provide financial information on the treasury for the County’s Comprehensive Annual Financial Report.

X. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis.

All securities shall be held by a third party custodian designated by the Treasurer and approved by the Treasury Oversight Committee. The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity and other pertinent information.

XI. COLLATERALIZATION

Repurchase agreements and securities lending agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601.7(e). In order to anticipate market changes and provide a level of security for all repurchase agreement and securities lending agreement transactions, the collateralization level will be a minimum of 102% of market value of the principal and accrued interest and shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. The Treasurer retains the right to substitute or grant substitutions of collateral.

XII. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XIII. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate any audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by California Government Code Section 26920-26923. Daily compliance of the investment portfolio shall be performed by the Treasurer’s Compliance Division.

The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping, Public Securities Association Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

The Treasurer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the County Treasurer is not present. No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of Treasury personnel

XIV. COMPENSATION AGREEMENT

As authorized by California Government Code Section 27013, the Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code §27130-27137 shall be included as administrative costs. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with California Government Code Section 27013.

The administrative fee will be subject to change; the administrative and overhead fees will be reviewed by the Treasury Oversight Committee on an annual basis.

Investment earnings and the above fee charge will be allocated to the pool participants on a monthly basis. As of the first working day of the next month, the pool participants' account will reflect the gross investment earnings and the monthly administrative and overhead costs.

NOTE: The current administrative fee range is estimated to be between ten and twenty basis points. Please consult the monthly Summary of Apportionment Yields for the most recent charge.

XV. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Section 53684 of the California Government Code and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of California Government Code Section 27136, and the agency's understanding that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. Subject to the approval/disapproval of the County Board of Supervisors, the Treasurer shall approve or disapprove such agency's request in writing.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the Money Market Fund. To participate in the Extended Fund, the local agency must sign a waiver indicating their understanding of the possible NAV risk involved.

XVI. WITHDRAWAL

Withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury. (California Government Code Sections 27000.3, 27133(h), 27136, 53684(c).)

XVII. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The Treasurer's investment strategy is active. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the Fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, etc.

The standards enumerated herein do not constitute a guarantee of the Fund's performance.

XVIII. INVESTMENT POLICY REVIEW

The Treasurer's investment policy shall be presented to and annually reviewed and approved by the Board of Supervisors in an open session. The Board of Supervisors also review and approve any changes to the investment policy. The policy shall also be reviewed on an annual basis by the Treasury Oversight Committee.

XIX. FINANCIAL REPORTING

The monthly Treasurer's Management Report and any Audit Report shall be provided to the Orange County Board of Supervisors, Chief Executive Officer, Chief Financial Officer, Internal Audit Director, Auditor-Controller, Treasury Oversight Committee and the director or director executive officer of any local agency who has investments in the County's Investment Funds as required by California Government Code Sections 53646 and 53686.

All reports filed by the Treasurer in accordance with California Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with California Government Code 53646 (b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XX. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type or percentage allocations, will, upon effectiveness, be incorporated into the Orange County Treasurer's Investment Policy Statement and supersede any and all previous applicable language.

XXI. DISASTER RECOVERY PROGRAM

The County of Orange Treasurer-Tax Collector's Disaster Plan includes critical phone numbers and addresses of key personnel, as well as, active bankers and broker/dealers. Three copies of the Disaster Plan for home, office and car have been distributed to department officers including the Investment Officer. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Investment Officer is unable to invest the portfolio, the Bank of New York Cash Reserve Account will automatically sweep all uninvested cash with the custody bank into an interest-bearing account. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an Individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement.

OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS
12 CIVIC CENTER PLAZA, SUITE G76
POST OFFICE BOX 4515
SANTA ANA, CA 92701
www.ocgov.com/treas

JOHN M.W. MOORLACH, C.P.A., CFP®
TREASURER-TAX COLLECTOR

CHRISS W. STREET
ASSISTANT TREASURER-TAX COLLECTOR

PAUL C. GORMAN, C.P.A., CTP
DEPUTY TREASURER

WALTER DANIELS
DEPUTY TAX COLLECTOR

ROBIN RUSSELL
DEPUTY TREASURER-TAX COLLECTOR
ADMINISTRATION

CLARISSA ADRIANO-CERES
DEPUTY TREASURER-TAX COLLECTOR
INFORMATION TECHNOLOGY

BRETT R. BARBRE
DEPUTY TREASURER-TAX COLLECTOR
PUBLIC INFORMATION OFFICER

EXHIBIT A
BROKER/DEALER QUESTIONNAIRE

1) Name of Firm:

2) Local Address: National Address:

3) Telephone:

4) PRIMARY REPRESENTATIVE/MANAGER/PARTNER-IN-CHARGE:

Secondary representative/manager/partner-in-charge:

5) Are you a Primary Dealer in U.S. Government Securities?

6) Are you a member of NASD?

7) What is the date of your firm's fiscal year-end?

8) Attached certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.

9) Has your Firm consistently complied with the Federal Reserve Bank's Capital adequacy guidelines?

10) Is your firm owned by a holding company? If so, what is its name and net capitalization?

11) Identify the principal who will be trading with or quoting securities to our employees (attach current resumes of all persons listed).

12) Please identify your most directly comparable clients in our geographical area. Name, address, contact, phone#, length or relationship?

13) Please indicate a percentage breakdown of your client base by portfolio size.

14) Have any of your public clients ever sustained or claimed a loss on a securities transaction or loss of principal arising from a misunderstanding or misrepresentation of the risk characteristics of a recommended instrument purchased through your firm? If yes, please explain.

15) Does your firm have any pending litigation with public-sector clients or have you been subject to any within the last five years? If yes, please explain.

16) Has your firm ever been subject to a regulatory, state or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of government securities or money market instruments? If yes, please explain.

17) Please provide your wiring and delivery instructions.

18) Which instruments are offered regularly by your local desk?

19) Which of the above does your firm specialize in marketing?

20) What reports, transaction confirmations, and paper trail will we receive?

21) What precautions are taken by your firm to protect the interest of the public when dealing with government agencies as investors?

22) What training would you provide for our employees and investment officers?

23) Do you participate in the SIPC Insurance program? If not, please explain.

24) What portfolio information do you prefer from your clients?

25) Please include samples of research reports or market information that your firm regularly provides to clients.

26) No Broker/Dealer of security firm shall be selected who has within any consecutive 48 month period, 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 or any member of the Board of Supervisors or to any candidate for these offices. Please provide a current copy of your firm's MSRB Rule G-37 filing.

COUNTY OF ORANGE GIFT BAN ORDINANCE

Sec. 1-3-22. Definitions.

For the purposes of this article:

(a) *County* means the County of Orange.

(b) *County officer* means every person who is elected or appointed to an office in the County which is specified in section 87200 of the California Government Code.

(c) *Designated employee* means every employee of the county who is designated in the County's Conflict of Interest Code to file a statement of economic interests and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a statement.

(d) *Doing business with the County* means:

(1) Seeking the award of a contract or grant from the County; or

(2) Having sought the award of a contract or grant from the County in the past twelve (12) months; or

(3) Being engaged as a lobbyist or lobbyist firm, as defined in this article, from the time of such engagement until twelve (12) months after the award of the contract grant, license, permit, or other entitlement for use, which was the subject of the engagement; or

(4) Having an existing contractual relationship with the County, until twelve (12) months after the contractual obligations of all parties have been completed; or

(5) Seeking, actively supporting, or actively opposing the issuance, by the County, of a discretionary license, discretionary permit, or other discretionary entitlement for use, or having done any of these things within the past twelve (12) months.

(e) *Gift* shall have the meaning it is defined to have in the California Political Reform Act, and the regulations issued pursuant to that Act, except that the following shall not be deemed to be gifts:

(1) Meals, beverages, and free admission at any event sponsored by, or for the benefit of, a bona fide educational, academic, or charitable organization, and commemorative gifts from such organizations with a cumulative value from any single source, of fifty dollars ($50.00) or less during any twelve-month period.

(2) Flowers, plants, balloons or similar tokens which are given to express condolences, congratulations, or sympathy for ill health, or to commemorate special occasions, provided that gifts made or received under this exemption shall not exceed a value of fifty dollars ($50.00) from any single source in any calendar year.

(3) A prize awarded on the basis of chance in a bona fide competition not related to the official status of the public official.

(4) Gifts from any agency of a foreign sovereign nation, provided that such gifts are unconditionally donated by the public official to the Director of the Public Facilities and Resources Department within forty-five (45) days of receipt, and the public official does not claim any tax deduction by virtue of such donation.

(5) Food, beverages, and free admission provided by a governmental agency or provided to the public at large, for ceremonial functions commemorating the groundbreaking, opening , or naming of a governmental facility.

(6) Food and beverages consumed by a public official that total less than $5.00 per occasion.

(f) *Lobbyist* shall mean any individual, including an attorney, who is employed or contracts for consideration, other than reimbursement of reasonable travel expenses, to communicate directly with any County officer or staff member of a County Supervisor for the purpose of seeking, actively supporting, or actively opposing the award of a contract or grant from the County, or the issuance, by the County, of a discretionary license, discretionary permit, or other discretionary entitlement for use. An attorney shall not be considered a lobbyist when performing activities which can only be performed by a person admitted to the practice of law.

(g) *Lobbyist firm* shall mean (1) any business entity, which is employed or contracts for consideration, other than reimbursement of reasonable travel expenses, to communicate directly with a County officer or staff member of a County Supervisor for the purpose of seeking, actively supporting or actively opposing the award of a contract or grant from the County, or the issuance, by the County, of a discretionary license, discretionary permit, or other discretionary entitlement for use, or (2) any business entity of which any member or employee is a lobbyist.

(h) *Principal* shall mean any individual or business entity which employees or contracts with a lobbyist or lobbyist firm for any of the purposes stated in subsection (f) or (g) of this section.

(i) An individual or business entity shall be deemed to be employed or contracting to communicate directly with a County officer or staff member of a County Supervisor if it is reasonably foreseeable that in the course of employment or in the course of performing the contract the individual or an employee of the entity will have a telephone conversation or a discussion with any County officer or staff member of a County Supervisor, outside of any meeting governed by the Ralph M. Brown Act (which is codified in the California Government Code commencing with section 54950), for the purpose of seeking, actively supporting, or actively opposing the award of a contract or grant from the County, or the issuance, by the County, of a discretionary license, discretionary permit, or other discretionary entitlement for use.

(j) An individual lobbyist who is an officer, partner or employee of his or her principal shall e deemed to be "engaged" within the meaning of this section on the first occasion on which he or the engages in a telephone conversation or discussion

(k) described in subsection (i) of this section. A lobbyist firm, or an individual lobbyist who is not an officer, partner or employee of his or her principal shall be deemed to be "engaged" within the meaning of this section upon the completion an agreement, oral or written, to provide the services specified in subsection (f) or (g) of this section.

(l) *Public official* means every County officer and every designated employee.

b) Section 1-3-23. Prohibitions.

(a) No person who is doing business with the County shall make any gift to any County officer.

(b) No person who is doing business with the County shall make any gift to any designated employee who, by virtue of his County employment, could make a governmental decision, participate in making a governmental decision, or use his or her official position to influence a governmental decision regarding the pending business of the donor, or who has done any of the above during the twelve (12) months preceding the donation.

(c) No County officer shall solicit or accept any gift from any person whom he knows, or has reason to know, is doing business with the County.

(d) No designated employee shall solicit or accept any gift from any person whom he knows, or has reason to know, is doing business with the County, when such employee, by virtue of his County employment, could make a governmental decision, participate in making a governmental decision, or use his or her official position to influence a governmental decision regarding the pending business of the donor, or has done any of the above during the twelve (12) months preceding the donation.

(e) No public official shall accept any gift when the identity of the donor is not known to the public official.

c) Section 1-3-24. Violations and enforcement.

(a) Any County officer who violates section 1-3-23 shall be guilty of a misdemeanor.

(b) Any designated employee who violates section 1-3-23 shall be subject to discipline for such violation, including, in appropriate cases, termination of employment.

(c) Any member of any County board or commission, other than a board or commission established by the Constitution or a statute of the State of California, who violates section 1-3-23 shall be subject to removal from office.

(d) Any person who violates section 1-3-23(a) or 1-3-23(b) shall be guilty of a misdemeanor.

(e) These enforcement provisions are in lieu of the penalty provided in section 1-1-34, are cumulative, and are not mutually exclusive.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2007 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2007 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2007 Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, 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 amount of such issue.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 issuer or the paying agent or bond trustee, 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 bond trustee, or the issuer, 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 issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. 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.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX H

TABLES OF ACCRETED VALUES

(THIS PAGE INTENTIONALLY LEFT BLANK)

BOND ACCRETED VALUE TABLE

Anaheim City School District
Election of 2002 G.O. Bonds, Series 2007
Final Numbers

Date	Capital Appreciation Bonds 08/01/2021 4.49%	Capital Appreciation Bonds 08/01/2022 4.52%	Capital Appreciation Bonds 08/01/2023 4.54%	Capital Appreciation Bonds 08/01/2024 4.56%	Capital Appreciation Bonds 08/01/2025 4.58%	Capital Appreciation Bonds 08/01/2026 4.6%	Capital Appreciation Bonds 08/01/2027 4.62%	Capital Appreciation Bonds 08/01/2028 4.63%	Capital Appreciation Bonds 08/01/2029 4.64%	Capital Appreciation Bonds 08/01/2030 4.65%	Capital Appreciation Bonds 08/01/2031 5.35%
02/13/2007	2,630.20	2,504.55	2,387.40	2,274.80	2,166.65	2,062.90	1,963.30	1,871.70	1,784.05	1,700.15	1,373.90
08/01/2007	2,685.25	2,557.35	2,437.95	2,323.15	2,212.95	2,107.15	2,005.60	1,912.10	1,822.65	1,737.00	1,408.15
02/01/2008	2,745.55	2,615.15	2,493.25	2,376.15	2,263.60	2,155.60	2,051.90	1,956.40	1,864.90	1,777.40	1,445.85
08/01/2008	2,807.20	2,674.25	2,549.85	2,430.30	2,315.45	2,205.15	2,099.30	2,001.65	1,908.20	1,818.70	1,484.50
02/01/2009	2,870.20	2,734.70	2,607.75	2,485.75	2,368.50	2,255.90	2,147.80	2,048.00	1,952.45	1,861.00	1,524.25
08/01/2009	2,934.65	2,796.50	2,666.95	2,542.40	2,422.70	2,307.80	2,197.40	2,095.40	1,997.75	1,904.30	1,565.00
02/01/2010	3,000.55	2,859.70	2,727.50	2,600.35	2,478.20	2,360.85	2,248.20	2,143.95	2,044.10	1,948.55	1,606.85
08/01/2010	3,067.90	2,924.35	2,789.40	2,659.65	2,534.95	2,415.15	2,300.10	2,193.55	2,091.55	1,993.85	1,649.85
02/01/2011	3,136.75	2,990.45	2,852.70	2,720.30	2,593.00	2,470.70	2,353.25	2,244.35	2,140.05	2,040.20	1,694.00
08/01/2011	3,207.20	3,058.00	2,917.50	2,782.30	2,652.40	2,527.55	2,407.60	2,296.30	2,189.70	2,087.65	1,739.30
02/01/2012	3,279.20	3,127.10	2,983.70	2,845.75	2,713.15	2,585.65	2,463.25	2,349.45	2,240.50	2,136.20	1,785.85
08/01/2012	3,352.80	3,197.80	3,051.45	2,910.65	2,775.25	2,645.15	2,520.15	2,403.85	2,292.50	2,185.85	1,833.60
02/01/2013	3,428.10	3,270.05	3,120.70	2,977.00	2,838.80	2,706.00	2,578.35	2,459.50	2,345.65	2,236.70	1,882.65
08/01/2013	3,505.05	3,343.95	3,191.55	3,044.90	2,903.80	2,768.20	2,637.90	2,516.45	2,400.10	2,288.70	1,933.00
02/01/2014	3,583.75	3,419.55	3,264.00	3,114.30	2,970.30	2,831.90	2,698.85	2,574.70	2,455.80	2,341.90	1,984.70
08/01/2014	3,664.20	3,496.85	3,338.10	3,185.30	3,038.35	2,897.00	2,761.20	2,634.30	2,512.75	2,396.35	2,037.80
02/01/2015	3,746.45	3,575.85	3,413.85	3,257.95	3,107.90	2,963.65	2,824.95	2,695.30	2,571.05	2,452.05	2,092.35
08/01/2015	3,830.55	3,656.65	3,491.35	3,332.20	3,179.10	3,031.80	2,890.25	2,757.70	2,630.70	2,509.05	2,148.30
02/01/2016	3,916.55	3,739.30	3,570.60	3,408.20	3,251.90	3,101.55	2,957.00	2,821.50	2,691.75	2,567.40	2,205.75
08/01/2016	4,004.50	3,823.80	3,651.65	3,485.90	3,326.35	3,172.90	3,025.30	2,886.85	2,754.20	2,627.10	2,264.75
02/01/2017	4,094.40	3,910.25	3,734.55	3,565.40	3,402.55	3,245.85	3,095.20	2,953.65	2,818.10	2,688.20	2,325.35
08/01/2017	4,186.30	3,998.60	3,819.35	3,646.65	3,480.45	3,320.50	3,166.70	3,022.05	2,883.45	2,750.70	2,387.55
02/01/2018	4,280.30	4,089.00	3,906.05	3,729.80	3,560.15	3,396.90	3,239.85	3,092.00	2,950.35	2,814.65	2,451.40
08/01/2018	4,376.40	4,181.40	3,994.70	3,814.85	3,641.70	3,475.00	3,314.70	3,163.60	3,018.80	2,880.10	2,517.00
02/01/2019	4,474.65	4,275.90	4,085.40	3,901.85	3,725.10	3,554.95	3,391.25	3,236.85	3,088.85	2,947.05	2,584.35
08/01/2019	4,575.10	4,372.55	4,178.10	3,990.80	3,810.40	3,636.70	3,469.60	3,311.75	3,160.50	3,015.55	2,653.45
02/01/2020	4,677.80	4,471.35	4,272.95	4,081.80	3,897.65	3,720.35	3,549.75	3,388.45	3,233.85	3,085.65	2,724.45
08/01/2020	4,782.80	4,572.40	4,369.95	4,174.85	3,986.90	3,805.90	3,631.75	3,466.85	3,308.85	3,157.40	2,797.30
02/01/2021	4,890.20	4,675.75	4,469.15	4,270.05	4,078.20	3,893.45	3,715.65	3,547.15	3,385.60	3,230.80	2,872.15
08/01/2021	5,000.00	4,781.40	4,570.60	4,367.40	4,171.60	3,983.00	3,801.45	3,629.25	3,464.15	3,305.95	2,949.00
02/01/2022		4,889.45	4,674.35	4,467.00	4,267.10	4,074.60	3,889.25	3,713.25	3,544.55	3,382.80	3,027.85
08/01/2022		5,000.00	4,780.50	4,568.85	4,364.85	4,168.35	3,979.10	3,799.25	3,626.75	3,461.45	3,108.85
02/01/2023			4,889.00	4,673.00	4,464.80	4,264.20	4,071.05	3,887.20	3,710.90	3,541.95	3,192.05
08/01/2023			5,000.00	4,779.55	4,567.05	4,362.30	4,165.05	3,977.15	3,797.00	3,624.30	3,277.40
02/01/2024				4,888.50	4,671.65	4,462.60	4,261.30	4,069.25	3,885.10	3,708.55	3,365.10
08/01/2024				5,000.00	4,778.60	4,565.25	4,359.70	4,163.45	3,975.25	3,794.80	3,455.10
02/01/2025					4,888.05	4,670.25	4,460.45	4,259.85	4,067.45	3,883.00	3,547.55
08/01/2025					5,000.00	4,777.65	4,563.45	4,358.45	4,161.80	3,973.30	3,642.40
02/01/2026						4,887.55	4,668.90	4,459.35	4,258.35	4,065.65	3,739.85
08/01/2026						5,000.00	4,776.75	4,562.60	4,357.15	4,160.20	3,839.90
02/01/2027							4,887.10	4,668.20	4,458.25	4,256.90	3,942.60
08/01/2027							5,000.00	4,776.25	4,561.70	4,355.90	4,048.10
02/01/2028								4,886.85	4,667.50	4,457.15	4,156.35
08/01/2028								5,000.00	4,775.80	4,560.80	4,267.55
02/01/2029									4,886.60	4,666.85	4,381.70
08/01/2029									5,000.00	4,775.35	4,498.90

BOND ACCRETED VALUE TABLE

Anaheim City School District
Election of 2002 G.O. Bonds, Series 2007
Final Numbers

Date	Capital Appreciation Bonds 08/01/2021 4.49%	Capital Appreciation Bonds 08/01/2022 4.52%	Capital Appreciation Bonds 08/01/2023 4.54%	Capital Appreciation Bonds 08/01/2024 4.56%	Capital Appreciation Bonds 08/01/2025 4.58%	Capital Appreciation Bonds 08/01/2026 4.6%	Capital Appreciation Bonds 08/01/2027 4.62%	Capital Appreciation Bonds 08/01/2028 4.63%	Capital Appreciation Bonds 08/01/2029 4.64%	Capital Appreciation Bonds 08/01/2030 4.65%	Capital Appreciation Bonds 08/01/2031 5.35%
02/01/2030										4,886.35	4,619.25
08/01/2030										5,000.00	4,742.85
02/01/2031											4,869.70
08/01/2031											5,000.00

APPENDIX I

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

STD-R-CA-7
01/05

(THIS PAGE INTENTIONALLY LEFT BLANK)