Rating:
S&P "SP-1+"
(See "RATING" herein)

NEW ISSUE - BOOK-ENTRY ONLY

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

$15,000,000
ACALANES UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
2009 GENERAL OBLIGATION BOND ANTICIPATION NOTES

2009-0290

2009-0292

$9,000,000
2009 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES A

$6,000,000
2009 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES B

Dated: Date of Delivery **Due: April 1, 2010**

The Acalanes Union High School District (Contra Costa County, California) 2009 General Obligation Bond Anticipation Notes, Series A (the "Series A Notes") and the Acalanes Union High School District (Contra Costa County, California) 2009 General Obligation Bond Anticipation Notes, Series B (the "Series B Notes" together with the Series A Notes, the "Notes") are obligations of the Acalanes Union High School District (the "District") and are payable from the proceeds of general obligation bonds to be issued by the District pursuant to a duly called election of the registered voters of the District held on November 4, 2008, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $93,000,000 principal amount of general obligation bonds of the District (the "Authorization"). The Notes are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and the upgrading of the District's technology systems in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the Authorization.

The District has covenanted in the Resolution (defined herein), to take all actions required to authorize, sell, and issue, on or before April 1, 2010, general obligation bonds or renewal notes, or both, in an aggregate principal amount which is sufficient to pay the principal of and interest on the Notes coming due and payable at maturity. See "THE NOTES – Security and Sources of Payment" herein.

The Notes will be in denominations of $5,000 or any integral multiple thereof and will be dated the date of delivery. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District upon maturity at the office of The Bank of New York Mellon Trust Company, the Paying Agent. The Notes will be issued in the aggregate principal amount of $15,000,000. The Notes will not be subject to redemption prior to maturity. The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. Principal and interest on the Notes will be payable when due as described under "APPENDIX E – BOOK-ENTRY ONLY SYSTEM."

	Interest Rate	Yield
Series A Notes	3.250%	0.850%
Series B Notes	3.250%	0.850%

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

The Notes are offered when, as and if delivered and received by the Underwriter, subject to the approval as to legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. It is anticipated that the Notes, in book-entry form, will be available for delivery to The Depository Trust Company in New York, New York on or about April 30, 2009.

PiperJaffray®

Dated: April 16, 2009

The information contained herein has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Notes shall under any circumstances create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES 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 has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

ACALANES UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

Keygent LLC
Manhattan Beach, California

PAYING AGENT

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

UNDERWRITER

Piper Jaffray & Co.
Hermosa Beach, California

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$15,000,000
ACALANES UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
2009 GENERAL OBLIGATION BOND ANTICIPATION NOTES

$9,000,000 2009 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES A	**$6,000,000 2009 GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES B**

INTRODUCTION

This Official Statement, which includes the cover page, Table of Contents and Appendices, provides certain information concerning the sale and delivery of the Acalanes Union High School District 2009 General Obligation Bond Anticipation Notes, Series A in the aggregate principal amount of $9,000,000 and the Acalanes Union High School District 2009 General Obligation Bond Anticipation Notes, Series B in an aggregate principal amount of $6,000,000. This introduction is not a summary of the Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement.

The District

The Acalanes Union High School District (the "District") is located in the western portion of Contra Costa County (the "County") approximately 20 miles east of San Francisco. The District encompasses an area of approximately 80 square miles and has an estimated population of 107,733.

The District was established in 1940 and provides secondary educational services to the residents of the Cities of Lafayette and Orinda, the Town of Moraga, a portion of the City of Walnut Creek, and of certain surrounding unincorporated areas in Contra Costa County. The 2008-09 assessed valuation of the area served by the District is $23,600,163,028. The District's estimated average daily attendance for fiscal year 2008-09 is 5,673.

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. James Negri is the District Superintendent. See "THE DISTRICT" herein.

Purpose of the Notes

Proceeds of the Notes will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and the upgrading of the District's technology systems in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the Authorization (defined herein).

Authority for the Issuance of the Notes

The Notes are issued under the authority of the State of California Education Code and a resolution adopted by the Board (the "Resolution"). See "THE NOTES – Authority for Issuance" herein.

Security and Sources of Payment for the Notes

The Notes are obligations of the District and are payable from proceeds of the sale of a portion of the general obligation bonds authorized at a duly called election held in the District on November 4, 2008 and thereafter canvassed pursuant to law (the "Authorization"), from the proceeds of the sale of any renewal notes or from other funds of the District lawfully available for the purpose of repaying the notes, including State grants. Interest on the Notes shall also be payable from the *ad valorem* tax lawfully levied to pay principal of and interest on the Bonds (defined herein). See "THE NOTES – Security and Sources of Payment" and "THE DISTRICT" herein.

The District has covenanted in the Resolution to take all actions required to authorize, sell, and issue, on or before April 1, 2010, general obligation bonds or renewal notes, or both, in an aggregate principal amount which is sufficient to pay the principal of and interest on the Notes coming due and payable at maturity. See "THE NOTES – Security and Sources of Payment" herein.

Description of the Notes

The Notes will be dated the Date of Delivery, will mature on April 1, 2010, and will bear interest at the rate set forth on the cover page hereof. Interest is calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as security depository for the Notes. See "THE NOTES – General Provisions" and "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" herein. The Notes are not subject to redemption prior to maturity.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events, if material. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5)(i)(C) promulgated under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" herein and "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, Los Angeles, California, will act as Paying Agent with respect to the Notes. The Notes will be delivered subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel and Disclosure Counsel. Keygent LLC, Manhattan Beach, California, is acting as Financial Advisor to the District in connection with the issuance of the Notes.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Notes are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the District at 1212 Pleasant Hill Road, Lafayette, California, 94549, telephone: (925) 280-3900.

This Official Statement contains brief descriptions of, among other things, the District, the Notes and the Resolution pertaining to the Notes, and certain other matters relating to the security for the Notes.

Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Notes are qualified in their entirety by reference to the form thereof included in the Resolution, respectively. Copies of such documents will be available for inspection at the principal office of the Paying Agent after delivery of the Notes. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution.

The sale and delivery of the Notes to potential investors is made only by means of the entire Official Statement.

THE NOTES

Authority for Issuance

The Notes are being issued under the authority of Title 1, Division 1, Part 10, Chapter 1, Article 3 of the Education Code of the State of California (comprising Sections 15150 *et seq*.), and pursuant to the Resolution, adopted by the Board of Trustees of the District on March 18, 2009.

Purpose of Issue

Proceeds of the Notes will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and the upgrading of the District's technology systems in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the Authorization.

General Provisions

The Notes will be dated the Date of Delivery, will mature on April 1, 2010, and will bear interest at the rate set forth on the cover page hereof. Interest is calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as security depository for the Notes. The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment

The principal amount of the Notes, together with the interest thereon, will be payable from the proceeds of the sale of the bonds authorized by the Authorization, from the proceeds of the sale of any renewal notes or from other funds of the District lawfully available for the purpose of repaying the notes, including State grants. Interest on the Notes shall also be payable from the *ad valorem* tax lawfully levied to pay principal of and interest on bonds issued under the Authorization (the "Bonds").

The District has covenanted in the Resolution to take all actions required to authorize, sell, and issue, on or before April 1, 2010, general obligation bonds or renewal notes, or both, in an aggregate principal amount which is sufficient to pay the principal of and interest on the Notes coming due and payable at maturity.

Any renewal notes shall be payable at a fixed time not more than five years from the date of the original issuance of the Notes. In the event that the sale of the Bonds pursuant to the Authorization does not occur prior to the maturity of the Notes, the District will issue renewal notes to pay the Notes and the interest thereon. The total principal amount of the Notes or renewal notes issued and outstanding may not at any time exceed the total amount of the Authorization.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series A Notes are expected to be applied as follows:

Sources of Funds	
Principal Amount of Series A Notes	$9,000,000
Net Original Issue Premium	197,010
Total Sources	$9,197,010
Uses of Funds	
Series A Building Fund	$9,000,000
Series A Debt Service Fund	4,010
Costs of Issuance[(1)]	193,000
Total Uses	$9,197,010

(1) Includes all costs of issuance to be paid by the Underwriter, including the Underwriter's discount. See "MISCELLANEOUS – Underwriting."

The proceeds of the Series B Notes are expected to be applied as follows:

Sources of Funds	
Principal Amount of Series B Notes	$6,000,000
Net Original Issue Premium	131,340
Total Sources	$6,131,340
Uses of Funds	
Series B Building Fund	$6,000,000
Series B Debt Service Fund	1,340
Costs of Issuance[(1)]	130,000
Total Uses	$6,131,340

(1) Includes all costs of issuance to be paid by the Underwriter, including the Underwriter's discount. See "MISCELLANEOUS – Underwriting."

Application of Note Proceeds

The proceeds from the sale of the Series A Notes, to the extent of the principal amount thereof, shall be deposited to the credit of the "Acalanes Union High School District, Election of 2008 General Obligation Bond and Series A Bond Anticipation Note Building Fund" (the "Series A Building Fund"), held by Contra Costa County (the "County") and kept separate and distinct from all other District and County funds. The proceeds from the sale of the Series A Notes shall be used to generate funds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the Authorization.

Any premium received by the District from the sale of the Series A Notes shall be kept separate and apart in the fund designated as the "Acalanes Union High School District, Election of 2008 General Obligation Bond and Series A Bond Anticipation Note Debt Service Fund" (the "Series A Debt Service Fund"), and such premium shall be used only for payment of principal and interest of the Series A Notes. Any proceeds of renewal notes received by the District, and other funds of the District lawfully available for the purpose of repaying the Series A Notes and any renewal notes, shall be deposited into the Series A Debt Service Fund and applied to the payment of principal of and interest on such Series A Notes, or renewal notes, as applicable. Interest earnings on moneys held in the Series A Building Fund shall be retained in the Series A Building Fund. Interest earnings on moneys held in the Series A Debt Service Fund shall be retained in the Series A Debt Service Fund.

The proceeds from the sale of the Series B Notes, to the extent of the principal amount thereof, shall be deposited to the credit of the "Acalanes Union High School District, Election of 2008 General Obligation Bond and Series B Bond Anticipation Note Building Fund" (the "Series B Building Fund"), held by the County and kept separate and distinct from all other District and County funds. The proceeds from the sale of the Series B Notes shall be used to generate funds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and the upgrading of the District's technology systems in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the Authorization.

Any premium received by the District from the sale of the Series B Notes shall be kept separate and apart in the fund designated as the "Acalanes Union High School District, Election of 2008 General Obligation Bond and Series B Bond Anticipation Note Debt Service Fund" (the "Series B Debt Service Fund"), and such premium shall be used only for payment of principal and interest of the Series B Notes. Any proceeds of renewal notes received by the District, and other funds of the District lawfully available for the purpose of repaying the Series B Notes and any renewal notes, shall be deposited into the Series B Debt Service Fund and applied to the payment of principal of and interest on such Series B Notes, or renewal notes, as applicable. Interest earnings on moneys held in the Series B Building Fund shall be retained in the Series B Building Fund. Interest earnings on moneys held in the Series B Debt Service Fund shall be retained in the Series B Debt Service Fund.

CONTRA COSTA COUNTY INVESTMENT POOL

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

Substantially all operating funds of the District are invested in the Contra Costa County Investment Pool. Upon closing of the Notes, proceeds of the Notes will be deposited with the Contra Costa County Treasurer. The Treasurer accepts funds only from agencies located within the County for investment in the Contra Costa County Investment Pool. As of December 31, 2008, the cost value of the Contra Costa County Investment Pool was $2,010,346,112 and the fair value was $2,020,538,907, which was 100.5% of cost. As of December 31, 2008 the weighted average maturity of the Contra Costa County Investment Pool was 112.04 days.

The following table summarizes the composition of the Pool as of December 31, 2008.

CONTRA COSTA COUNTY INVESTMENT POOL
PORTFOLIO COMPOSITION
(as of December 31, 2008)

Type of Investment	Cost Value	Fair Value	Percent of Total (Cost Value)
U.S. Treasuries (STRIPS, Bills, Notes)	$17,750,243.97	$19,068,247.20	0.88%
U.S. Agencies (Federal, State, Local)	323,501,188.13	330,759,501.70	16.09
Money Market Instruments	1,023,737,862.63	1,023,584,256.63	50.93
Local Agency Investment Fund	438,307,888.53	439,628,690.34	21.80
Other	129,058,325.42	129,507,607.82	6.42
Cash	77,990,604.22	77,990,604.22	3.88
TOTAL	$2,010,346,112.90	$2,020,538,907.91	100.00%

Note: All report information is unaudited.

The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq. and is in compliance with the Treasurer's current investment policy. The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives. The County reports that it is current practice for the Treasurer to mark the portfolio to market on a monthly basis. Such evaluations are performed by the County. Over 88% of the portfolio or over $1.768 billion will mature in less than a year. The County is able to meet its cash flow needs for six months.

THE DISTRICT

Introduction

The District is located in the western portion of Contra Costa County (the "County") approximately 20 miles east of San Francisco. The District encompasses an area of approximately 80 square miles and has an estimated population of 107,733

The District was established in 1940 and provides secondary educational services to the residents of the Cities of Lafayette and Orinda, the town of Moraga, a portion of the City of Walnut Creek, and of certain surrounding unincorporated areas in Contra Costa County. The 2008-09 assessed valuation of the area served by the District is $23,600,163,028. The District's estimated average daily attendance for fiscal year 2008-09 is 5,673.

Administration

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

Board Member	Office	Term Expires
Kathy Coppersmith	President	December 2012
Vanessa Crews	Clerk	December 2010
Tom Mulvaney	Member	December 2010
Gwen Reinke	Member	December 2012
Richard Whitmore	Member	December 2010

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. James Negri is the District's Superintendent and Christopher Learned is the Assistant Superintendent, Business Services.

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

James Negri, Superintendent. James Negri joined the District in November 2004 as Superintendent. Prior to his arrival at the District, Mr. Negri served as the superintendent of the Mountain View-Whisman School District for two years and prior to that, he worked for the Pleasanton Unified School District for eleven years in several district office positions. He has over thirty-five years experience in education. Mr. Negri received his M.A. in Educational Leadership from St. Mary's College and his B.A. in Economics from the University of California at Berkeley. Mr. Negri has been recognized by the Association of California School Administrators (ACSA) as the 2002 Central Office Administrator of the Year.

Christopher Learned, Assistant Superintendent, Business Services. Mr. Learned is in his eleventh year with the District, the last eight as Assistant Superintendent, Business Services. He has over thirty-one years of experience in education. Mr. Learned holds a M.B.A. from the University of Phoenix, and a B.A. in Business Administration from California State University, Hayward.

Average Daily Attendance

The following table shows the District's average daily attendance ("A.D.A.") over the last 11 years and an estimate for the current Fiscal Year.

AVERAGE DAILY ATTENDANCE
FISCAL YEARS 1997-98 THROUGH 2008-09*
Acalanes Union High School District

Year	Average Daily Attendance
1997-98	4,829
1998-99	4,845
1999-00	5,049
2000-01	5,150
2001-02	5,320
2002-03	5,507
2003-04	5,553
2004-05	5,663
2005-06	5,671
2006-07	5,603
2007-08	5,673
2008-09	5,673*

* Estimated.
Source: The District

Labor Relations

As of January 1, 2009, the District employed approximately 339 full-time equivalent certificated employees and 201 classified employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

BARGAINING UNITS
Acalanes Union High School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
Acalanes Education Association	321	06/30/2009
Service Employees International	180	06/30/2011

Retirement Programs

STRS and CalPERS. The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all fulltime certificated employees. The District's contribution to STRS for the fiscal year ending June 30, 2008, 2007, and 2006, were $2,250,131, $2,163,197, and $2,019,411, respectively, and is projected to be $2,204,305 for fiscal year 2008-09.

The District also participates in the State of California Public Employees' Retirement System ("CalPERS"). This plan covers all classified personnel who are employed four or more hours per day.

Both systems are operated on a statewide basis. The District's contribution to CalPERS for the fiscal year ended June 30, 2008, 2007, and 2006, were $724,998, $802,867, and $968,533, respectively, and is projected to be $712,992 for fiscal year 2008-09.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and CalPERS retirement boards. STRS has substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

Other Post-Employment Benefits

The District has contracted to provide supplemental post-retirement benefits and healthcare coverage (the "Post-Employment Benefits") to certain retired employees. To be eligible, employees must be at least 55 years of age and have at least 10 years of service to the District. As of June 30, 2008, 41 employees met those eligibility requirements. Expenditures for the Post-Employment Benefits are recognized on a pay-as-you-go basis. During fiscal year 2007-08, the District recognized expenditures of $463,515 for the Post-Employment Benefits.

Fourteen individuals receive $57 per month toward medical benefits for life. During the year expenditures of $10,131 were recognized for this benefit.

The District has received a study by Total Compensation, Inc. on August 25, 2008 (the "Actuarial Study") with respect to its liability in connection with such post-employment health care benefits. The Actuarial Study, dated as of August 1, 2008, determined that the actuarial accrued liability with respect to the District's Post-Employment Benefits is $9,999,476, and that the present value of total projected benefits is $13,258,106. The Actuarial Study also concluded that the annual required contribution ("ARC") for the year beginning August 1, 2008 is $1,070,907. The ARC is the annual amount that would be necessary to fund the OPEB in accordance with the Governmental Accounting Standards Board's Statements No. 43 and 45.

Insurance

The District is a member of four Joint Powers Authorities ("JPAs") for insurance purposes; the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance; the East Bay Schools Insurance Group (EBSIG) for Property and Liability Insurance, the Northern California Relief for excess liability insurance, and the Schools Self-insurance of Contra Costa County (SSICCC) for dental and vision benefits. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. The JPAs are governed by a board consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Based upon prior claims experience, the District believes that it has adequate insurance coverage.

DISTRICT FINANCIAL MATTERS

Accounting Practices

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

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

District Budgets

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

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

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

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

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

The District's general fund adopted budget for fiscal years 2006-07 through 2008-09, actual results for the fiscal years 2006-07 through 2007-2008 and projected totals for fiscal year 2008-09 are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS FOR
FISCAL YEARS 2006-07 through 2008-09
Acalanes School District

	2006-07 Adopted Budget	2006-07 Actuals	2007-08 Adopted Budget	2007-08 Actuals	2008-09 Adopted Budget	2008-09 Projected Totals[1]
REVENUES						
Revenue Limit Sources						
State Apportionment	$9,360,530	$7,323,146	$9,100,207	$7,583,043	$6,822,337	$7,086,077
Local Sources	27,178,721	29,160,059	28,597,725	30,377,958	31,200,262	31,200,262
Total Revenue Limit Sources	36,539,251	36,483,205	37,697,932	37,961,001	38,022,599	38,286,339
Federal Revenue	774,039	810,845	754,561	782,518	723,342	771,227
Other State Revenue	2,664,213	4,876,009	3,469,167	3,876,559	3,351,234	3,636,776
Other Local Revenue	11,872,136	12,934,172	12,221,469	13,288,296	13,012,028	13,344,049
TOTAL REVENUES	51,849,639	55,104,231	54,143,129	55,908,374	55,109,203	56,038,391
EXPENDITURES						
Certificated Salaries	25,091,745	26,825,630	27,060,554	27,528,662	26,943,335	27,128,700
Classified Salaries	7,474,846	8,233,533	8,165,805	8,600,358	8,114,499	8,230,831
Employee Benefits	9,832,183	10,060,573	10,445,092	10,831,982	10,873,763	10,915,546
Books & Supplies	2,489,304	2,811,818	2,989,487	2,506,422	2,411,668	2,618,642
Services & Other Operating Expenses	6,178,487	5,896,004	6,032,802	5,923,890	6,230,337	6,461,949
Capital Outlay	56,675	162,400	52,500	58,889	--	--
Other Expenditures	--	(4,256)	--	(24,078)	--	--
Other Outgo	--	--	--	--	--	--
TOTAL EXPENDITURES	51,123,240	53,985,702	54,746,240	55,426,125	54,573,602	55,355,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	726,399	1,118,529	(603,111)	482,249	535,601	682,723
OTHER FINANCING SOURCES/(USES)						
Operating Transfers In	--	72,395	--	--	--	--
Operating Transfers Out	(15,000)	(52,224)	--	(320,982)	(100,000)	(100,000)
TOTAL OTHER FINANCING SOURCES/(USES)	(15,000)	20,171	--	(320,982)	(100,000)	(100,000)
Net change in Fund Balance	711,399	1,138,700	(603,111)	161,267	435,601	582,723
Fund Balance at beginning of year	3,720,241	3,720,241	4,858,941	4,858,941	4,357,211	5,020,208
Fund Balance at end of year	$4,431,640	$4,858,941	$4,255,830	$5,020,208	$4,792,812	$5,602,931

(1) 1st Interim Report, dated December 10, 2008
Source: The District

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2008, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 1212 Pleasant Hill Road, Lafayette, California, 94549, telephone: (925) 280-3900. Excerpts from the District's audited financial statements for the year ended June 30, 2008 are attached hereto as Appendix C.

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The District's audited statement of general fund revenues, expenditures and changes in fund balances for fiscal years ending June 30, 2005 through June 30, 2008 are set forth in the following table.

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2004-05 Through 2007-08
Acalanes Union High School District

	2004-05 Audited Actual	2005-06 Audited Actual	2006-07 Audited Actual	2007-08 Audited Actual
REVENUES				
Revenue Limit Sources				
State Apportionments	$6,718,009	$6,244,083	$7,323,146	$7,583,043
Local Taxes	25,516,163	27,322,758	29,160,059	30,377,958
Revenue Limit Transfers	--	--	--	--
Total Revenue Limit Sources	32,234,172	33,566,841	36,483,205	37,961,001
Federal Revenues	925,432	857,715	810,845	782,518
Other State Revenues	2,677,417	3,074,028	4,876,009	3,876,559
Other Local Revenues	7,686,937	12,298,643	12,934,172	13,288,296
Total Revenues	43,523,958	49,797,227	55,104,231	55,908,374
EXPENDITURES				
Instruction	25,887,439	29,432,981	31,160,810	32,035,453
Supervision of Instruction	2,044,888	2,308,081	2,655,949	3,064,293
Instructional Library and Technology	1,661,124	1,101,191	1,594,675	1,507,925
School Site Administration	1,462,338	1,642,238	1,727,892	1,876,760
Home-to-School Transportation	790,346	559,424	603,853	611,739
Food services	--	--	--	--
Other Pupil Services	3,633,196	4,053,892	4,712,414	4,799,346
Data Processing Services	--	907,191	664,132	674,096
Other General Administration	3,030,391	2,510,682	2,677,409	2,851,621
Plant services	5,567,956	6,316,870	6,677,011	6,684,384
Facility Acquisition and Construction	--	9,792	--	--
Ancillary Services	924,378	1,053,669	1,084,023	931,758
Community Services	223,741	212,140	170,333	152,697
Enterprise Activities	--	--	11,457	10,131
Other Outgo	203,995	233,488	245,744	225,922
Total Expenditures	45,429,792	50,341,639	53,985,702	55,426,125
Excess (Deficiency) of Revenues Over Expenditures	(1,905,834)	(544,412)	1,118,529	482,249
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,804,473	--	72,395	--
Operating Transfers out	(11,897)	(16,143)	(52,224)	(320,982)
Total Other Financing Sources (Uses)	1,792,576	(16,143)	20,171	(320,982)
Net Change in Fund Balances	(113,258)	(560,555)	1,138,700	161,267
Fund Balance – Beginning of Fiscal Year	4,394,054	4,280,796	3,720,241	4,858,941
Fund Balance – End of Fiscal Year	$4,280,796	$3,720,241	$4,858,941	$5,020,208

Source: The District

Ad Valorem Property Taxation

District property taxes are assessed and collected by Contra Costa County. The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due December 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year based on the preceding fiscal year's secured tax rate and become delinquent on October 31.

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

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2008-09. The District will receive 100% of the *ad valorem* property tax levied in the County to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1 for the County), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of the County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

Assessed Valuations

The District, which is located in Contra Costa County, uses the facilities of Contra Costa County for the assessment and collection of taxes. District taxes are collected at the same time and on the same tax rolls as are county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

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

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

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is the part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

The passage of AB 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a state-mandated local program by requiring the assignment of the assessed value of all unitary and operating nonunitary property in each county of each state assessee other than a regulated railway company. The legislation established formulas for the computation of applicable countrywide tax rates for such property and for the allocation of property tax revenue attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each county to issue each state assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

Property within the District has a total assessed valuation for fiscal year 2008-09 of $23,600,163,028. Shown in the following table are the assessed valuations for the District for the period 2005-06 through 2008-09.

ASSESSED VALUATIONS
Fiscal Years 2005-06 through 2008-09
Acalanes Union High School District

Assessed Valuations

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	Total After Rdv. Increment
2005-06	$19,004,752,623	$1,475,950	$428,699,704	$19,434,928,277	$18,740,738,624
2006-07	20,685,834,324	1,476,589	450,100,666	21,137,411,579	20,304,474,439
2007-08	22,115,176,261	1,476,589	456,882,163	22,573,535,013	21,661,742,238
2008-09	23,111,571,673	1,419,775	487,171,580	23,600,163,028	22,592,092,620

Sources: California Municipal Statistics, Inc.

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

ASSESSED VALUATION AND PARCELS BY LAND USE
Acalanes Union High School District

	2008-09 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$13,914,863	0.06%	16	0.04%
Commercial/Office	3,088,354,344	13.36	1,213	2.90
Vacant Commercial	122,067,222	0.53	89	0.21
Industrial	55,651,546	0.24	18	0.04
Recreational	117,599,931	0.51	75	0.18
Government/Social/Institutional	17,296,013	0.07	855	2.04
Miscellaneous	6,933,017	0.03	112	0.27
Subtotal Non-Residential	$3,421,816,936	14.81%	2,378	5.69%
Residential:				
Single Family Residence	$15,005,236,052	64.93%	26,656	63.74%
Condominium/Townhouse	2,977,512,862	12.88	9,465	22.63
Cooperatives	464,068,790	2.01	48	0.11
2-4 Residential Units	229,568,756	0.99	524	1.25
5+ Residential Units/Apartments	835,774,280	3.62	279	0.67
Vacant Residential	177,593,997	0.77	2,469	5.90
Subtotal Residential	$19,689,754,737	85.19%	39,441	94.31%
Total	$23,111,571,673	100.00%	41,819	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2008-09 secured assessed valuations.

Largest 2008-09 Local Secured Taxpayers
Acalanes Union High School District

	Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total(1)
1.	First Walnut Creek Mutual	Cooperatives – Rossmoor	$262,454,963	1.14%
2.	Second Walnut Creek Mutual	Cooperatives – Rossmoor	201,613,827	0.87
3.	Macerich Northwest Associates	Shopping Center	101,503,800	0.44
4.	Rreef America REIT II Corp.	Office Building	96,463,807	0.42
5.	Fidelity Non-Profit Management Foundation	Office Building	86,149,628	0.37
6.	CA Plaza @ Walnut Creek Inc.	Office Building	83,664,404	0.36
7.	Escuela Shopping Center LLC	Shopping Center	76,937,576	0.33
8.	Property Calif. SCJLW One Corp.	Office Building	73,112,459	0.32
9.	SVF Oak Road Walnut Creek Corp.	Office Building	72,235,000	0.31
10.	ASN Bay Landing LLC	Apartments	64,909,322	0.28
11.	California State Teachers Retirement System	Office Building	64,543,740	0.28
12.	Northwestern Mutual Life Insurance Co.	Office Building	59,966,689	0.26
13.	CA-Treat Towers LP	Office Building	55,204,039	0.24
14.	PK II Walnut Creek	Movie Theater & Commercial	54,060,000	0.23
15.	Growers Square Inc.	Office Building	49,476,963	0.21
16.	Security Capital Pacific Trust	Apartments	49,221,947	0.21
17.	OG Property Owner LLC	Residential Development	46,438,220	0.20
18.	James & Mei Fong Tong	Hotel	45,660,419	0.20
19.	1450 Treat Boulevard Inc.	Office Building	44,296,800	0.19
20.	Ashford Walnut Creek LP	Hotel	42,485,711	0.18
			$1,630,399,314	7.05%

(1) 2008-09 Local Secured Assessed Valuation: $23,111,571,673
Source: California Municipal Statistics, Inc.

Revenue Sources

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

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

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

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

The revenue limit sources constituted approximately 66.2% of general fund revenues in fiscal year 2006-07, 67.9% of such revenues in fiscal year 2007-08 and are projected to equal approximately 68.3% of such revenues in fiscal year 2008-09.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, constituted approximately 1.5% of general fund revenues in fiscal year 2006-07, 1.4% of such revenues in fiscal year 2007-08 and are projected to equal approximately 1.4% of such revenues in fiscal year 2008-09.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, Educational Technology Assistance Grants, mandated cost reimbursements and instructional materials, among others. Other State revenues constituted approximately 8.8% of general fund revenues in fiscal year 2006-07, 6.9% of such revenues in fiscal year 2007-08 and are projected to equal approximately 6.5% of such revenues in fiscal year 2008-09.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted approximately 23.5% of general fund revenues in fiscal year 2006-07, 23.8% of such revenues in fiscal year 2007-08 and are projected to equal approximately 23.8% of such revenues in fiscal year 2008-09.

Parcel Tax. The District receives revenues from a parcel tax approved by the voters of the District on March 5, 2005 that expires in June 2011. The $189 per parcel tax, adjusted annually by the consumer price index, provided revenues that equaled approximately 12% of the total General Fund revenues in fiscal year 2007-08 or approximately $6.7 million and are estimated to equal 12% of the total General Fund revenues in fiscal year 2008-09 or approximately $6.7 million.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Notes is payable from the General Fund of the District. The Notes are payable from the proceeds of the sale of the bonds authorized by the Authorization, from the proceeds of the sale of any renewal notes or from other funds of the District lawfully available for the purpose of repaying the notes, including State grants. Interest on the Notes is also payable from the ad valorem tax lawfully levied to pay principal of and interest on the Notes.

2008-09 Budget. The 2008-09 Budget Act (the "2008-09 Budget") was signed by the Governor on September 23, 2008. On November 1, 2008, the Legislative Analyst's Office released its report on the 2008-09 Budget and related legislation entitled "California Spending Plan 2008-09" (the

"LAO Report"). The following information regarding the 2008-09 Budget is adapted from the LAO Report.

The 2008-09 Budget assumed the State ended the 2007-08 fiscal year with a general fund ending balance of $3.9 billion. The 2008-09 Budget projected $101.9 billion in budget-year revenues, a decrease of 0.5% from 2007-08, and authorized expenditures of $103.4 billion, an increase of 0.1% from 2007-08. Under the 2008-09 Budget, the State is projected to have a year-end reserve of $1.7 billion and will spend $1.4 billion more than it is projected to receive. Based on the 2008-09 Budget's policies, the State would once again face multi-billion dollar operating shortfalls in the coming years. This is because many of the solutions enacted in the 2008-09 Budget are of a one-time nature.

In order to address the State's operating shortfall, the 2008-09 Budget included the following major solutions:

- *Proposition 98.* The 2008-09 Budget provided for a 0.68% cost-of-living ("COLA") adjustment for K-14 education programs—substantially below the 5.66% COLA that would be otherwise required under State law.

- *Budgetary Borrowing.* The 2008-09 Budget borrowed $648 million from various state special funds. These funds are generally not expected to be paid back until fiscal year 2010-11 or later. This borrowing is in addition to the $750 million in special fund loans from prior fiscal years. The State enters fiscal year 2008-09 with more than $18 billion in outstanding budgetary borrowing, which will necessitate more than $2 billion in repayments during fiscal year 2008-09.

- *Budget Stabilization Account Transfer.* The Governor issued an executive order to suspend the annual transfer to the Budget Stabilization Account, from which the State makes debt service payments on economy recovery bonds ("ERBs"). As a result, a $1.5 billion supplemental debt service payment for outstanding ERBs will not be made.

- *Tax Related Changes.* The 2008-09 Budget included a significant number of tax-related changes, which collectively are expected to yield a combined $8 billion in additional revenues. Significant changes included: (i) suspending for two years net operating loss deductions for certain larger companies, (ii) restricting the use of specific business-related tax credits for larger companies, (iii) accelerating the timing of estimated tax payments and limited liability company fee payments, (iv) altering the state's accounting practices to accrue certain taxes earlier, and (v) increasing penalties for corporations that underpay taxes. The long-term impact of these changes beyond fiscal year 2008-09 is much smaller, including reducing State General Fund revenues in 2009-10 below what they would otherwise have been.

- *Transportation*. The budget used almost $1.7 billion in public transportation funds to reduce General Fund expenditures. The budget plan assumed $800 million in General Fund benefit for 2008-09.

- *Social Services Savings*. The 2008-09 Budget achieved ongoing savings of about $162 million by deleting a California Work Opportunity and Responsibility to Kids ("CalWORKs") cost-of-living adjustment ("COLA") for one year. The 2008-09 Budget also achieved ongoing savings of approximately $276 million by deleting the State's Supplemental Security Income/State Supplementary Program COLA for two years.

- *Governor's Vetoes*. The Governor vetoed $510 million in General Fund expenditures from the budget passed by the Legislature. The largest veto was to $191 million in funding for low-income seniors' tax relief programs. The Governor also vetoed $22 million from the California Department of Corrections and Rehabilitation budget.

The 2008-09 Budget included $58.1 billion in total ongoing Proposition 98 spending for school district and community college districts ("CCCs"), including $41.9 billion in State General Fund support. This reflects an increase of $1.5 billion, or 2.7%, over the prior year. The bulk of this increase, approximately $1.1 billion, is covered by higher local property tax revenues, with less than $400 million of the increase covered with General Fund monies. Of the total increase, K-12 education funding grows to $51.6 billion, which is $1.3 billion, or 2.6%, over the previous year.

Not reflected in this figure, however, are several significant spending decisions that affected Proposition 98 funding in fiscal year 2007-08. This included approximately $1 billion in one-time funds supporting ongoing K-14 programs and $200 million in one-time reductions. Because the majority of the $1.5 billion new Proposition 98 funding is used to backfill programs funded by these one-time funds and reductions, the actual amount of Proposition 98 resources available to support new activities in fiscal year 2008-09 is $300 million, or 0.5%, over the prior year.

The substantial reliance on one-time and special fund monies discussed above complicates year-to-year spending comparisons for K-12 education. Based on the 2008-09 Budget, ongoing Proposition 98 K-12 spending is $8,726 per pupil in 2008-09, an increase of $262, or 3.1%, over the previous year. If the one-time and special fund monies are included, however, the year-to-year increase in per pupil Proposition 98 funding is $111, or less than 1%, over the previous year.

The 2008-09 Budget incorporated the following major changes in ongoing Proposition 98 funding:

- *COLAs*. For both K-12 education and the community colleges, the bulk of new spending ($284 million) was to account for a 0.68% COLA. Of this amount, $240 million was for school district revenue limit funding, $4 million was for county office of education revenue limit funding, and $40 million was for community college apportionments. No COLA was provided for categorical programs.

- *Growth*. Whereas K-12 education achieved estimated savings of $128 million from a projected decline in average daily attendance, the budget included $114 million to fund 2% enrollment growth at CCCs.

- *Child Care*. The 2008-09 Budget made an adjustment of $22 million to fund anticipated growth in both CalWORKs and non-CalWORKs child care.

In addition to the $1.5 billion increase in ongoing Proposition 98 monies, the 2008-09 Budget also provided slightly more than $100 million in one-time K-12 funding for emergency facility needs at low performing schools. The budget also provided $450 million in General Fund monies to support the second year of the Quality Education Investment Act. Finally, funding for teachers retirement dropped considerably to a little more than $1 billion, which was a reduction of $491 million, or 32%, from the previous year.

Among the Governor's vetoes was $8.7 million in K-12 funding from various sources. Of this amount, the Governor vetoed $6 million in Proposition 98 funding to support state sanctions for low-performing schools, $904,000 in non-Proposition 98 funding to support the Advancement via Individual Determination program, $862,000 in non-Proposition 98 funding to support child nutrition programs, and $295,000 in one-time Proposition 98 funding for conducting reviews of school districts receiving emergency loans from the State.

Additional information regarding the 2008-09 Budget is available from the Legislative Analyst's Office website at www.lao.ca.gov and the California Department of Finance website at www.dof.ca.gov.

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

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

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

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

The 2009 Budget Act includes the following major expenditure reductions:

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

- *Fund Shifts*. The 2009 Budget Act uses approximately $1 billion in fund shifts to balance the State General Fund. The two largest shifts include $608 million from Proposition 10 child development programs and $227 million from Proposition 63 mental health funds. Both of these provisions will be subject to voter approval at the May 19, 2009 state election.

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

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

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

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

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

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

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

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

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

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

- *Sales Tax.* $5.8 billion from a temporary one-cent increase in the state sales tax, including $1.2 billion of additional revenue for fiscal year 2008-09 and $4.6 billion of such revenues for fiscal year 2009-10. The increased tax becomes effective April 1, 2009 and is set to lapse on July 1, 2011, unless an additional one year extension is approved by the voters at the May 19, 2009 state election.

- *Vehicle License Fees.* $2 billion from a temporary increase in vehicle license fees, including $346 million in additional revenues for fiscal year 2008-09 and $1.7 billion of such revenues in fiscal year 2009-10. This increase is set to lapse on July 1, 2011, unless an additional two year extension is approved by the voters at the May 19, 2009 state election.

- *Personal Income Tax*. $1.8 billion from a temporary increase of 0.125% in each personal income tax rate. The 2009 Budget Act also provides for $1.8 billion from an additional personal income tax increase of 0.125% that may be triggered off if sufficient federal stimulus funds are received. This tax increase is set to lapse after tax year 2010, unless an additional two year extension is approved by the voters at the May 19, 2009 state election.

- *Reduction of Dependent Tax Credit.* $1.4 billion from a temporary reduction in the value of dependent credit for income tax purposes. This reduction is set to lapse after tax year 2010, unless an additional two year extension is approved by the voters at the May 19, 2009 state election.

- *Borrowing.* $5 billion by accounting for the proceeds from the securitization of the State lottery, and used to offset General Fund expenditures. This provision will be subject to voter approval at the May 19, 2009 state election. The 2009 Budget Act also provides for an additional $328 million in borrowing from various state special funds.

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

Future Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, including the failure to secure voter approval of some or all of the propositions designated for the May 19, 2009 state election, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

DISTRICT DEBT STRUCTURE

Schedule of Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Compensated Absences	$318,324	$321,629	$318,324	$321,629
General Obligation Bonds:				
Current Interest	131,895,000	--	2,545,000	129,350,000
Capital Appreciation	17,645,290	1,093,199	745,000	17,993,489
Totals	$149,858,614	$1,414,828	$3,608,324	$147,665,118

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

Year Ending (August 1)	2000 G.O. Refunding Debt Service	2002 G.O. Refunding Debt Service	Election of 2002, Series A Debt Service[1]	2004 G.O. Refunding, Series A Debt Service	2004 G.O. Refunding, Series B Debt Service	2005 G.O. Refunding (2013 Crossover) Debt Service[2]	2005B G.O. Refunding (2013 Crossover) Debt Service[2]	Total Debt Service
2009	$2,241,900.00	$1,632,237.50	$1,280,000.00	$1,537,978.76	$727,000.00	--	--	$7,419,116.26
2010	2,248,150.00	1,577,237.50	1,640,000.00	1,586,628.76	731,250.00	--	--	7,783,266.26
2011	2,254,900.00	1,552,237.50	2,035,000.00	1,586,128.76	729,000.00	--	--	8,157,266.26
2012	2,262,600.00	1,537,237.50	2,430,000.00	1,589,128.76	735,500.00	--	--	8,554,466.26
2013	2,264,250.00	1,542,237.50	2,840,000.00	1,585,378.76	730,250.00	--	--	8,962,116.26
2014	1,339,850.00	1,577,237.50	--	2,462,466.26	738,750.00	$3,265,356.26	$1,077,200.00	10,460,860.02
2015	--	3,207,237.50	--	2,182,093.76	740,250.00	3,727,606.26	1,127,200.00	10,984,387.52
2016	--	3,192,237.50	--	2,943,093.76	--	4,025,181.26	1,535,200.00	11,695,712.52
2017	--	3,197,237.50	--	2,937,593.76	--	4,537,806.26	1,786,050.00	12,458,687.52
2018	--	3,207,237.50	--	2,924,993.76	--	5,058,143.76	2,077,462.50	13,267,837.52
2019	--	3,222,237.50	--	2,914,193.76	--	5,604,093.76	2,396,550.00	14,137,075.02
2020	--	3,190,125.00	--	2,939,993.76	--	6,177,100.00	2,750,950.00	15,058,168.76
2021	--	3,167,312.50	--	2,965,793.76	--	6,776,050.00	3,127,775.00	16,036,931.26
2022	--	3,152,962.50	--	2,977,975.00	--	7,403,550.00	3,549,662.50	17,084,150.00
2023	--	6,150,650.00	--	--	--	8,056,675.00	3,992,937.50	18,200,262.50
2024	--	6,207,300.00	--	--	--	8,662,500.00	4,514,975.00	19,384,775.00
2025	--	--	--	--	--	--	2,105,000.00	2,105,000.00
	$12,611,650.00	$47,312,962.50	$10,225,000.00	$33,133,441.38	$5,132,000.00	$63,294,062.56	$30,040,962.50	$201,750,078.90

(1) Excludes debt service on the Refunded Bonds.
(2) Excludes debt service on the Bonds on and prior to the Crossover Date.

Tax and Revenue Anticipation Notes. On July 4, 2008, in association with the California School Cash Reserve Program, the District issued tax and revenue anticipation notes (TRANS) in the amount of $11,035,000. The notes mature on July 6, 2009, and bear interest at 3%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated January 1, 2009. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. 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.

ACALANES UNION HIGH SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt

2008-09 Assessed Valuation:	$23,600,163,028
Redevelopment Incremental Valuation:	1,008,070,408
Adjusted Assessed Valuation:	$22,592,092,620

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/09	
Bay Area Rapid Transit District	5.126%	$22,624,114	
Contra Costa Community College District	16.370	28,819,385	
Acalanes Union High School District	**100.000**	**107,753,150**	(1)
Lafayette School District	100.000	22,450,000	
Moraga School District	100.000	10,905,000	
Orinda Union School District	100.000	13,550,000	
Walnut Creek School District	100.000	31,585,000	
City of Lafayette	100.000	8,885,000	
East Bay Municipal Utility District Special District No. 1	0.004	1,287	
East Bay Regional Park District	7.557	9,586,055	
Contra Costa County Community Facilities District No. 1991-1	7.230	228,474	
California Statewide Community Development Authority Community Facilities District No. 2000-1	100.000	5,983,810	
California Statewide Community Development Authority Orinda Wilder Project Community Facilities District	100.000	37,500,000	
1915 Act Bonds	100.000	3,215,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$303,086,275	
OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	16.317%	$48,947,737	
Contra Costa County Pension Obligations	16.317	80,440,362	
Contra Costa Community College District Certificates of Participation	16.370	181,707	
City of Orinda Certificates of Participation	100.000	9,605,000	
City of Walnut Creek General Fund Obligations	55.186	626,361	
San Ramon Valley Fire Protection District Certificates of Participation	0.007	1,103	
Contra Costa Fire Protection District Pension Obligations	24.132	29,794,574	
Pleasant Hill Recreation and Park District Certificates of Participation	7.174	182,578	
TOTAL OVERLAPPING GENERAL FUND DEBT		$169,779,422	
COMBINED TOTAL DEBT		$472,865,697	(2)

(1) Excludes the Notes 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 2008-09 Assessed Valuation:
Direct Debt ($107,753,150)... 0.46%
Total Direct and Overlapping Tax and Assessment Debt 1.28%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt.. 2.09%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc

CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds and interest on the Notes.

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

Legislation Implementing Article XIIIA

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

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

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

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

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Jarvis v. Connell

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

Proposition 1A

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID of the California Constitution and Propositions 1A, 39, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX MATTERS

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

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

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

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

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

CERTAIN LEGAL MATTERS

Legal Opinion

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, will render an opinion with respect to the Notes substantially in the form attached hereto as APPENDIX B. Copies of such approving opinion will be available at the time of delivery of the Notes. The payment of fees of bond counsel is contingent upon the closing of the Notes transaction.

Continuing Disclosure

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository prior to July 1, 2009, and after such date, only with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the notice of material events is set forth in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5)(i)(C) promulgated under the Securities Exchange Act of 1934, as amended.

Information Reporting Requirements

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

Financial Statements

Portions of the financial statements with supplemental information for the year ended June 30, 2008, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 5, 2008 of Stephen Roatch Accountancy Corporation (the "Auditor"), are included in this Official Statement as Appendix C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix C to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Absence of Material Litigation

At the time of delivery of and payment for the Notes, the District will certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District threatened, against the District in any material respect affecting the existence of the District or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Notes.

The District does have claims pending against it. The aggregate amount of the uninsured liabilities of the District which may result from all claims will not, in the opinion of the District, materially affect the District's finances or impair its ability to make the payments on the Notes.

RATING

The Notes have been rated "SP-1+" by Standard and Poor's ("S&P"), a Division of The McGraw-Hill Companies. The rating reflects only the view of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, NY 10041. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

UNDERWRITING

The Series A Notes are being purchased for reoffering by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, pursuant to a Note Purchase Agreement (the "Series A Note Purchase Agreement") by and between the District and the Underwriter, to purchase the Series A Notes at the purchase price of $9,004,010 (representing the aggregate principal amount of the Notes of $9,000,000, plus a net original issue premium of $197,010, less an Underwriter's discount of $27,000, and less $166,000 to be retained by the Underwriter to pay costs of issuance). The Series A Note Purchase Agreement relating to the Series A Notes provides that the Underwriter will purchase all of the Series A Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Series A Note Purchase Agreement.

The Series B Notes are being purchased for reoffering by the Underwriter. The Underwriter has agreed, pursuant to a Note Purchase Agreement (the "Series B Note Purchase Agreement") by and between the District and the Underwriter, to purchase the Series B Notes at the purchase price of $6,001,340 (representing the aggregate principal amount of the Notes of $6,000,000, plus a net original issue premium of $131,340, less an Underwriter's discount of $18,000, and less $112,000 to be retained by the Underwriter to pay costs of issuance). The Series B Note Purchase Agreement relating to the Series B Notes provides that the Underwriter will purchase all of the Series B Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Series B Note Purchase Agreement.

The Underwriter may offer and sell the Notes to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

The references herein to the Resolution and the Notes are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Notes will be on file at the Principal Office of the Paying Agent in Los Angeles, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement 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 Notes.

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

ACALANES UNION HIGH SCHOOL DISTRICT

By: /s/ James Negri
Superintendent

APPENDIX A

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE DISTRICT AND THE COUNTY OF CONTRA COSTA

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

Introduction

The District serves the Cities of Lafayette and Orinda, the Town of Moraga approximately one-third of the City of Walnut Creek and certain surrounding unincorporated areas in Contra Costa County.

Situated northeast of San Francisco, Contra Costa County is bounded by San Francisco Bay to the west, the San Pablo Bay and the Sacramento River delta to the north and by Alameda County on the south. Ranges of hills effectively divide Contra Costa County into three distinct regions. The western portion, with its access to water, contains much of Contra Costa's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. Contra Costa County has extensive and varied transportation facilities - ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The following table summarizes population figures for the cities of Lafayette, Orinda and Walnut Creek, the Town of Moraga and the County.

CITY OF LAFAYETTE, CITY OF ORINDA, THE TOWN OF MORAGA, CITY OF WALNUT CREEK AND CONTRA COSTA COUNTY
Population
1999-2008

Year Ending (January 1)	City of Lafayette	Town of Moraga	City of Orinda	City of Walnut Creek	Contra Costa County
1999	24,450	16,850	17,500	64,500	924,400
2000	23,908	16,290	17,599	64,296	948,816
2001	24,185	16,450	17,800	65,600	965,100
2002	24,400	16,500	17,800	65,800	980,900
2003	24,350	16,500	17,800	65,800	992,700
2004	24,300	16,450	17,750	66,000	1,003,900
2005	24,317	16,435	17,797	66,501	1,020,898
2006	23,897	16,160	17,479	65,319	1,030,732
2007	23,841	16,099	17,434	65,085	1,037,580
2008	23,962	16,138	17,542	65,306	1,051,674

Source: California State Department of Finance.

Income

Effective buying income as reported in the annual publication "Survey of Buying Power" published by Sales and Marketing Management, is defined as personal income less personal taxes and certain nontax payments. Personal income includes wages and salaries, other labor-related income (such as employer contributions to private pension funds) and certain other income (e.g., proprietor's income, rental income, dividends, personal interest income, pensions and welfare assistance). Deductions are then made for federal, state and local taxes, certain nontax payments (such as fines and penalties) and personal contributions to a retirement program.

The following table summarizes historical median household effective buying income, for the City of Walnut Creek, County, State of California and United States.

CITY OF WALNUT CREEK AND CONTRA COSTA COUNTY, STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income
2000-2007

Year Ending	City of Walnut Creek[1]	Contra Costa County	State of California	United States of America
2000	$52,056	$53,234	$39,977	$37,233
2001	58,977	60,189	44,464	39,129
2002	55,285	56,507	43,532	38,365
2003	53,918	54,448	42,484	38,035
2004	53,345	54,862	42,924	38,201
2005	54,517	56,165	43,915	39,324
2006	58,175	58,497	46,275	41,255
2007	--	61,123	48,203	41,792

[1] City of Walnut Creek data not available/not included in 2008 edition.
Source: "Survey of Buying Power", Sales & Marketing Management Magazine; Demographics USA, 2007, 2008 editions.

Commercial Activity

The following table summarizes historical taxable transactions in the Cities of Lafayette and Walnut Creek and the County.

CITY OF LAFAYETTE, WALNUT CREEK AND CONTRA COSTA COUNTY
Total Taxable Transactions
(Dollars in Thousands)
2000-2007

	City of Lafayette		City of Walnut Creek		Contra Costa County	
Year	Outlets	Taxable Transactions	Outlets	Taxable Transactions	Outlets	Taxable Transactions
2000	1,015	209,801	2,481	1,671,753	22,674	12,330,560
2001	1,003	205,840	2,488	1,649,962	22,609	12,256,721
2002	1,014	201,933	2,534	1,639,917	22,541	12,159,424
2003	1,064	208,432	2,625	1,670,891	23,253	12,223,295
2004	1,068	214,819	2,643	1,730,075	23,571	12,990,538
2005	1,019	225,474	2,516	1,803,610	23,692	13,480,075
2006	983	237,533	2,433	1,835,630	23,249	13,867,661
2007	975	233,150	2,383	1,797,050	23,181	14,086,295

Source: State Board of Equalization.

Major Employers

The District is located in the region east of the San Francisco Bay known as the "East Bay," which also includes the County of Contra Costa. The following table provides a listing of major employers headquartered or located in the county and their employment levels.

MAJOR EMPLOYERS IN THE EAST BAY
2007

Employer	Product/Service	Number of Employees
SBC Communications Inc.	Telecommunications	10,600
U.S. Postal Service	Postal Services	10,000
Chevron/Corp.	Energy, Oil & Gas	3,000
County of Contra Costa	County Government	8,381
Safeway	Supermarkets	7,922
Bank of America	Banking	7,081
Bio-Rad Laboratories Inc.	Biotech tests	5,200
John Muir/Mt. Diablo Health System	Health Care	4,900
Kaiser Permanente Medical Center	Health Care	4,730
Lucky Stores	Supermarkets	4,631
Wells Fargo & Co.	Banking	4,000
AT&T	Telecommunications	4,000
Mt. Diablo Unified School District	K-12 Education	3,385
West Contra Costa Unified School District	K-12 Education	3,360
Coopervision/Ocular Sciences Inc.	Contact lenses	3,144
Pacific Gas & Electric	Gas and Electric Service	3,000
Longs Drugs Stores	Retail Drug Stores	2,900
San Ramon Valley Unified School District	K-12 Education	2,280
Contra Costa Newspapers	Newspaper Publishing	1,417
Round Table Franchise Corp.	Pizza Restaurants	1,230
Tosco	Oil Refinery	1,200
Hill Physicians Med. Group	Health Care	1,050
USS Posco Industries	Steel Manufacturing	1,000
Shell Martinez Refining Co. (Equilon)	Oil Refinery	930

Source: East Bay Business Times, Book of Lists, 2007 and San Francisco Business Times, Book of Lists, 2007.

Industry and Employment

The following table summarizes historical employment and unemployment for the County.

CONTRA COSTA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages
2003-2008

	2003	2004	2005	2006	2007	2008
Civilian Labor Force						
Employed	480,900	484,100	490,200	496,700	501,200	496,400
Unemployed	31,300	27,900	25,200	22,300	24,900	32,700
Total	512,200	512,000	515,400	519,000	526,200	529,200
Unemployment Rate(1)	6.1%	5.5%	4.9%	4.3%	4.7%	6.2%

(1) The unemployment rate is calculated using unrounded data.
Source: California Employment Development Department, Labor Market Information Division, March 2007 Benchmark.

The following table summarizes the historical numbers of workers by industry in Contra Costa County.

CONTRA COSTA COUNTY
Estimated Number of Wage and Salary Workers by Industry*
(Amounts in Thousands)
2003-2007

Type of Employment	2003	2004	2005	2006	2007
Farm	2,000	800	800	700	800
Goods Producing	48,100	49,600	50,200	50,400	49,800
Manufacturing	20,600	20,600	19,800	20,200	20,400
Wholesale Trade	9,300	9,000	8,800	9,100	9,100
Retail Trade	42,200	43,400	44,000	44,000	44,200
Transportation, Warehousing & Utilities	7,900	7,500	7,600	8,400	8,900
Information	13,800	14,000	13,500	13,400	13,100
Financial Activities	32,400	32,600	33,900	32,100	29,200
Professional and Business Services	45,100	45,900	46,700	50,600	49,400
Education and Health Services	40,400	41,100	40,800	42,700	44,700
Leisure and Hospitality	29,800	30,300	31,500	32,400	33,300
Other Services	13,300	13,900	12,300	12,200	12,300
Government	50,200	49,300	50,200	48,500	49,800
Total	334,300	337,500	340,300	344,500	344,500

* Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. March 2007 benchmark.

Source: California Employment Development Department, Labor Market Information Division.

Construction Activity

The following table summarizes historical building permit valuation for the County.

CONTRA COSTA COUNTY
Building Permit Valuation
(Dollars in Thousands)
2000-2008

Year Ending	Residential Units	Residential Valuation	Non-Residential Valuation	Total Valuation
2000	5,639	$1,224,484	$480,270	$1,704,754
2001	5,136	1,170,610	524,975	1,695,585
2002	5,805	1,492,961	375,162	1,868,123
2003	6,894	1,684,035	412,119	2,096,154
2004	4,789	1,483,705	303,473	1,787,178
2005	6,312	1,925,421	392,869	2,318,290
2006	4,488	1,451,818	412,500	1,864,318
2007	3,607	1,216,665	491,314	1,707,979
2008	1,894	659,796	459,403	1,119,200

Source: Construction Industry Research Board.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL FOR SERIES A NOTES

April 30, 2009

Board of Trustees
Acalanes Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $9,000,000 Acalanes Union High School District 2009 General Obligation Bond Anticipation Notes Series A (the “Series A Notes”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Series A Notes pursuant to Title 1, Division 1, Part 10, Chapter 1, Article 3 of the Education Code of the State of California (comprising Sections 15150 *et seq*.), and pursuant to a resolution adopted by the Board of Trustees of the Acalanes Union High School District (the “District”) on March 18, 2009 (the “Resolution”).

2. The Series A Notes constitute valid and binding obligations of the District, payable from proceeds of the sale of a portion of certain general obligation bonds (the “Bonds”) authorized at a duly called election held in the District on November 4, 2008 and thereafter canvassed pursuant to law, or of any renewal of notes or from other funds of the District lawfully available for the purpose of repaying the notes, including State grants. Interest on the Series A Notes shall also be payable from the *ad valorem* tax lawfully levied to pay principal of and interest on the Bonds.

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

4. Interest on the Series A Notes is exempt from State of California personal income tax.

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

The opinions expressed herein as to the exclusion from gross income of interest on the Series A Notes are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series A Notes to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Series A Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Notes. The District has covenanted to comply with all such requirements.

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

PROPOSED FORM OF OPINION OF BOND COUNSEL FOR SERIES B NOTES

April 30, 2009

Board of Trustees
Acalanes Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $6,000,000 Acalanes Union High School District 2009 General Obligation Bond Anticipation Notes Series B (the "Series B Notes"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Series B Notes pursuant to Title 1, Division 1, Part 10, Chapter 1, Article 3 of the Education Code of the State of California (comprising Sections 15150 *et seq*.), and pursuant to a resolution adopted by the Board of Trustees of the Acalanes Union High School District (the "District") on March 18, 2009 (the "Resolution").

2. The Series B Notes constitute valid and binding obligations of the District, payable from proceeds of the sale of a portion of certain general obligation bonds (the "Bonds") authorized at a duly called election held in the District on November 4, 2008 and thereafter canvassed pursuant to law, or of any renewal of notes or from other funds of the District lawfully available for the purpose of repaying the notes, including State grants. Interest on the Series B Notes shall also be payable from the *ad valorem* tax lawfully levied to pay principal of and interest on the Bonds.

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

4. Interest on the Series B Notes is exempt from State of California personal income tax.

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

The opinions expressed herein as to the exclusion from gross income of interest on the Series B Notes are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series B Notes to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Series B Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series B Notes. The District has covenanted to comply with all such requirements.

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX C

EXCERPTS FROM THE 2007-08 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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ACALANES UNION HIGH SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
LAFAYETTE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2008

ACALANES UNION HIGH SCHOOL DISTRICT

JUNE 30, 2008

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Acalanes Union High School District
Lafayette, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acalanes Union High School District, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Acalanes Union High School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the provisions of California Code of Regulations, Title 5, Education, Section 19810, and following; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2007-08*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining aggregate fund information of the Acalanes Union High School District, as of June 30, 2008, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the Acalanes Union High School District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the budgetary comparison information on page 47 is not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Acalanes Union High School District's basic financial statements. The accompanying supplementary information, including the combining statements, the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the remaining schedules listed in the table of contents, are presented for purposes of additional analysis as required by the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2007-08*, and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2008

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Acalanes Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 22, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined slightly during the course of the year, as total net assets of the District decreased 4.9%. (The decrease in net assets was due primarily to the current year recognition of more than $4 million of depreciation expense.)
- On the Statement of Activities, total current year expenses exceeded total current year revenues by $1,482,772.
- Capital assets, net of depreciation, decreased $228,253, to the current year acquisition of $4,065,864 of new capital assets, and the current year recognition of $4,294,117 of depreciation expense.
- Total long-term liabilities decreased $2,193,496 due to the current year reduction of the District's obligation for general obligation bonds.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures exceeded total current year revenues by $2,162,689, due primarily to the current year spending down of bond proceeds that were received in prior fiscal years.
- During fiscal year 2007-08, the District's General Fund produced an operating surplus of $161,267, and recognized a $300,755 decrease in its available reserves.
- The District's P-2 ADA, exclusive of adult education ADA, increased from 5,603 ADA, in fiscal year 2006-07, up to 5,673 ADA in fiscal year 2007-08, an increase of 1.2%.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2007-08, General Fund expenditures and other financing uses totaled $55,747,107. At June 30, 2008, the District has available reserves of $2,647,841 in the General Fund, which represents a reserve of 4.7%.

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
    - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
    - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the Government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

The basic services provided by the District, such as regular and special education, and administration, are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of local revenues and state and federal programs.

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Acalanes Union High School District are the General Fund, Bond Interest and Redemption Fund, Building Fund, and Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds:

The District is the trustee, or fiduciary, for its scholarship and student activity, and the Administrative Unit for the Contra Costa Special Education Local Plan Area (CCSELPA). All of the District's fiduciary activities are reported in separate Fiduciary Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets decreased from $30,166,646 at June 30, 2007, down to $28,683,874 at June 30, 2008, a decrease of 4.9%.

Comparative Statement of Net Assets

	Governmental Activities	
	2007	2008
Assets		
Deposits and Investments	$ 27,753,457	$ 23,877,754
Receivables	3,217,455	3,679,851
Prepaid Expenses	29,950,805	28,208,813
Capital Assets, net	129,821,375	129,593,122
Total Assets	190,743,092	185,359,540
Liabilities		
Current	14,321,841	13,578,496
Long-term	146,254,605	143,097,170
Total Liabilities	160,576,446	156,675,666
Net Assets *		
Invested in Capital Assets		
- Net of Related Debt	11,250,155	9,746,193
Restricted for Capital Projects	11,000,508	10,885,247
Restricted for Debt Service	1,483,579	835,674
Restricted for Educational Programs	1,823,460	2,036,755
Restricted for Other Purposes	1,299,532	1,837,517
Unrestricted	3,309,412	3,342,488
Total Net Assets	$ 30,166,646	$ 28,683,874

Table includes financial data of the combined governmental funds

* *Prior year balances have been adjusted to ensure comparability between fiscal years.*

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by $1,482,772.

Comparative Statement of Changes in Net Assets

	Governmental Activities	
	2007	2008
Program Revenues		
Charges for Services	$ 1,988,496	$ 1,988,429
Operating Grants & Contributions	9,296,722	8,904,329
General Revenues		
Taxes Levied	42,665,251	43,511,604
Federal & State Aid	9,314,006	9,195,197
Interest & Investment Earnings	1,547,150	1,061,761
Transfers	45,753	40,507
Miscellaneous	1,924,522	2,071,969
Total Revenues	66,781,900	66,773,796
Expenses		
Instruction	34,345,812	35,211,013
Instruction-Related Services	6,999,574	7,630,379
Pupil Services	6,953,231	7,085,132
General Administration	3,910,956	4,027,917
Plant Services	8,172,018	7,719,255
Ancillary Services	1,084,023	931,758
Community Services	170,333	152,697
Enterprise Activities	11,457	10,131
Interest on Long-Term Debt	5,337,093	5,155,840
Other Outgo	245,744	332,446
Total Expenses	67,230,241	68,256,568
Change in Net Assets	$ (448,341)	$ (1,482,772)

Table includes financial data of the combined governmental funds

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

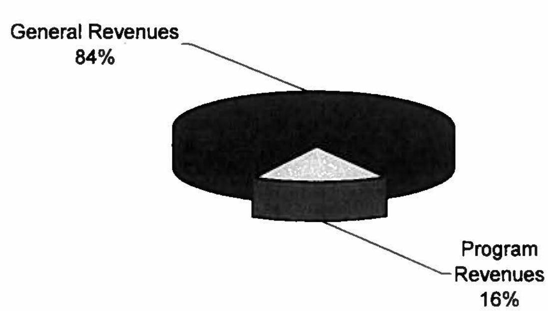
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
Instruction	$ 34,345,812	$ 35,211,013	$ 26,813,119	$ 29,074,782
Instruction-Related Services	6,999,574	7,630,379	5,714,099	5,795,663
Pupil Services	6,953,231	7,085,132	5,128,270	4,887,540
General Administration	3,910,956	4,027,917	3,884,262	3,899,452
Plant Services	8,172,018	7,719,255	7,669,148	7,257,782
Ancillary Services	1,084,023	931,758	971,498	813,442
Community Services	170,333	152,697	170,333	150,535
Enterprise Activities	11,457	10,131	11,457	(3,672)
Interest on Long-Term Debt	5,337,093	5,155,840	5,337,093	5,155,840
Other Outgo	245,744	332,446	245,744	332,446
Totals	$ 67,230,241	$ 68,256,568	$ 55,945,023	$ 57,363,810

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $57,363,810 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



Program revenues financed 16% of the total cost of providing the services listed above, while the remaining 84% was financed by the general revenues of the District.

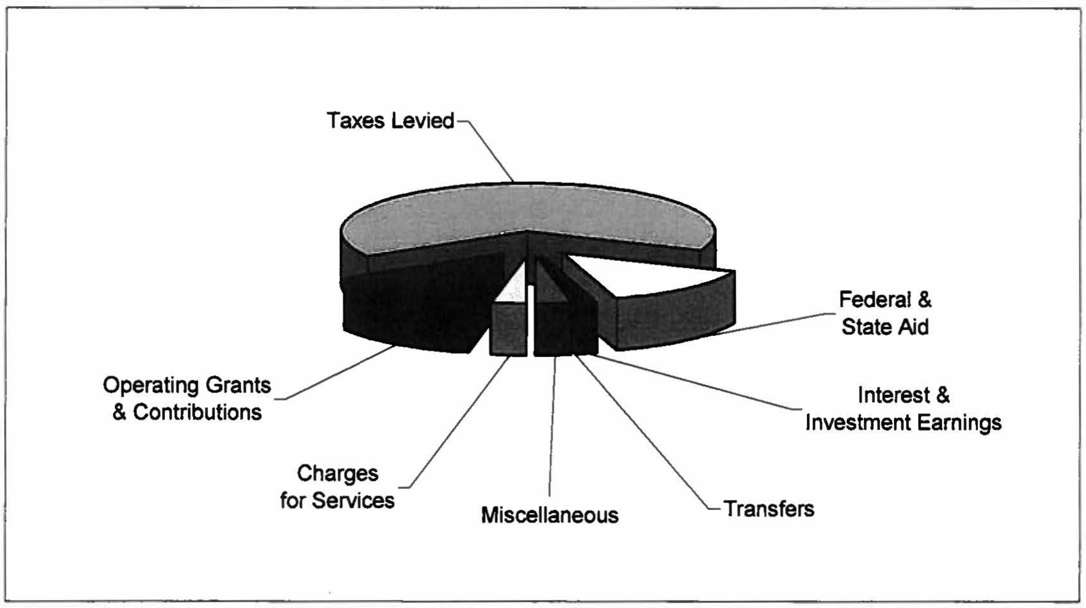
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2007 Amount	Percent of Total	FYE 2008 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 1,988,496	2.98%	$ 1,988,429	2.98%
Operating Grants & Contributions	9,296,722	13.92%	8,904,329	13.34%
General Revenues				
Taxes Levied	42,665,251	63.89%	43,511,604	65.16%
Federal & State Aid	9,314,006	13.95%	9,195,197	13.77%
Interest & Investment Earnings	1,547,150	2.32%	1,061,761	1.59%
Transfers	45,753	0.07%	40,507	0.06%
Miscellaneous	1,924,522	2.88%	2,071,969	3.10%
Total Revenues	$ 66,781,900	100.00%	$ 66,773,796	100.00%

Table includes financial data of the combined governmental funds



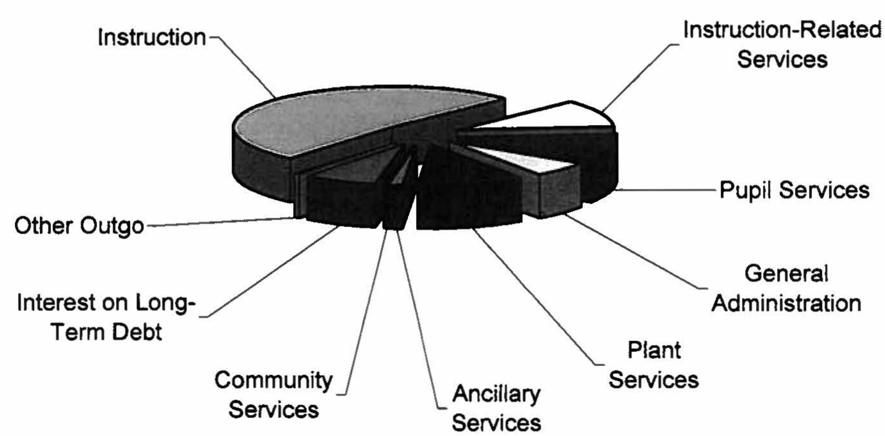
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2007 Amount	Percent of Total	FYE 2008 Amount	Percent of (Decrease)
Expenses				
Instruction	$ 34,345,812	51.09%	$ 35,211,013	51.59%
Instruction-Related Services	6,999,574	10.41%	7,630,379	11.18%
Pupil Services	6,953,231	10.34%	7,085,132	10.38%
General Administration	3,910,956	5.82%	4,027,917	5.90%
Plant Services	8,172,018	12.16%	7,719,255	11.31%
Ancillary Services	1,084,023	1.61%	931,758	1.37%
Community Services	170,333	0.25%	152,697	0.22%
Enterprise Activities	11,457	0.02%	10,131	0.02%
Interest on Long-Term Debt	5,337,093	7.94%	5,155,840	7.55%
Other Outgo	245,744	0.37%	332,446	0.49%
Total Expenses	$ 67,230,241	100.00%	$ 68,256,568	100.00%

Table includes financial data of the combined governmental funds



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities 2007	Governmental Activities 2008
Land	$ 1,905,037	$ 1,905,037
Sites and Improvements	29,328,169	29,328,169
Buildings and Improvements	133,412,426	138,912,971
Furniture and Equipment	3,680,839	3,862,541
Work-in-Progress	2,283,383	0
Subtotals	170,609,854	174,008,718
Less: Accumulated Depreciation	(40,788,479)	(44,415,596)
Capital Assets, net	$ 129,821,375	$ 129,593,122

Capital assets, net of depreciation, decreased $228,253, to the current year acquisition of $4,065,864 of new capital assets, and the current year recognition of $4,294,117 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities 2007	Governmental Activities 2008
Compensated Absences	$ 318,324	$ 321,629
General Obligation Bonds	149,540,290	147,343,489
Totals	$ 149,858,614	$ 147,665,118

Total long-term liabilities decreased $2,193,496 due to the current year reduction of the District's obligation for general obligation bonds.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by the local taxpayers and represent 99.8% of the District's total outstanding debt. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on all of its debt issues.

The remaining .2% of the District's outstanding debt consists solely of accrued compensated absences owed to District employees at June 30, 2008.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2007	Fund Balances June 30, 2008	Increase (Decrease)
General	$ 4,858,941	$ 5,020,208	$ 161,267
Bond Interest & Redemption	5,709,538	5,961,441	251,903
Building	4,646,283	1,559,291	(3,086,992)
Special Reserve	10,793,650	10,570,395	(223,255)
Deferred Maintenance	1,281,931	1,813,870	531,939
Cafeteria	4,601	5,147	546
Adult Education	605,255	699,164	93,909
Capital Facilities	127,669	244,502	116,833
County School Facilities	79,189	70,350	(8,839)
Totals	$ 28,107,057	$ 25,944,368	$ (2,162,689)

The combined fund balances of all District funds decreased $2,162,689, while the fund balance of the General Fund increased $161,267. The large decrease in the combined fund balance was due primarily to the spending down of bond proceeds that were received in prior fiscal years.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- On November 4, 2008, the registered voters approved Measure E, which authorizes the District to issue up to $93 million of general obligation bonds to finance the renovation of the District's schools and upgrade their technology. As a result, the District will continue to be actively involved in construction projects during future years.
- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District's budget projects no change in ADA during fiscal year 2008-09.
- The State's economic condition is another major factor affecting the District's future. Since the financial well being of the District is tied in large measure to the state funding formula, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Acalanes Union High School District, 1212 Pleasant Hill Road, Lafayette, California 94549.

ACALANES UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 23,877,754
Receivables (Note 4)	3,679,851
Prepaid Expenses (Note 1I)	28,208,813
Capital Assets: (Note 6)	
Land	1,905,037
Sites and Improvements	29,328,169
Buildings and Improvements	138,912,971
Furniture and Equipment	3,862,541
Less: Accumulated Depreciation	(44,415,596)
Total Assets	185,359,540
Liabilities	
Accounts Payable and Other Current Liabilities	2,770,099
Deferred Revenue (Note 1I)	6,240,449
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences (Note1I)	321,629
Current Interest	2,615,000
Capital Appreciation	1,631,319
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 7)	
Current Interest	126,735,000
Capital Appreciation	16,362,170
Total Liabilities	156,675,666
Net Assets	
Investment in Capital Assets, Net of Related Debt	9,746,193
Restricted:	
For Capital Projects	10,885,247
For Debt Service	835,674
For Educational Programs	2,036,755
For Other Purposes	1,837,517
Unrestricted	3,342,488
Total Net Assets	$ 28,683,874

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ACALANES UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	$ 35,211,013	$ 679,158	$ 5,457,073		$ (29,074,782)
Instruction-Related Services:					
Supervision of Instruction	3,323,682	81,391	829,672		(2,412,619)
Instructional Library and Technology	1,639,096	61,432	148,268		(1,429,396)
School Site Administration	2,667,601	87,510	626,443		(1,953,648)
Pupil Services:					
Home-to-School Transportation	657,520		49,276		(608,244)
Food Services	1,269,097	903,426	52,952		(312,719)
Other Pupil Services	5,158,515	120,361	1,071,577		(3,966,577)
General Administration:					
Data Processing Services	690,628				(690,628)
Other General Administration	3,337,289	3,829	124,636		(3,208,824)
Plant Services	7,719,255		461,473		(7,257,782)
Ancillary Services	931,758	36,846	81,470		(813,442)
Community Services	152,697	673	1,489		(150,535)
Enterprise Activities	10,131	13,803			3,672
Interest on Long-Term Debt	5,155,840				(5,155,840)
Other Outgo	332,446				(332,446)
Total Governmental Activities	$ 68,256,568	$ 1,988,429	$ 8,904,329	$ 0	(57,363,810)
General Revenues					
Taxes Levied for General Purposes					30,377,958
Taxes Levied for Debt Service					6,288,447
Taxes Levied for Specific Purposes					6,845,199
Federal and State Aid - Unrestricted					9,195,197
Interest and Investment Earnings					1,061,761
Transfers from Other Agencies					40,507
Miscellaneous					2,071,969
Total General Revenues					55,881,038
Change in Net Assets					(1,482,772)
Net Assets - July 1, 2007					30,166,646
Net Assets - June 30, 2008					$ 28,683,874

ACALANES UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Bond Interest and Redemption
Assets		
Deposits and Investments (Note 2)	$ 2,500,050	$ 5,961,441
Receivables (Note 4)	3,323,419	
Total Assets	$ 5,823,469	$ 5,961,441
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	$ 793,969	
Deferred Revenue (Note 1I)	9,292	
Total Liabilities	803,261	
Fund Balances: (Note 9)		
Reserved	1,356,091	$ 5,961,441
Unreserved:		
Designated	2,679,060	
Undesignated	985,057	
Total Fund Balances	5,020,208	5,961,441
Total Liabilities and Fund Balances	$ 5,823,469	$ 5,961,441

Building	Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
$ 2,004,462	$ 10,620,035	$ 2,791,766	$ 23,877,754
188,842		167,590	3,679,851
$ 2,193,304	$ 10,620,035	$ 2,959,356	$ 27,557,605
$ 634,013	$ 49,640	$ 126,323	$ 1,603,945
			9,292
634,013	49,640	126,323	1,613,237
		5,100	7,322,632
		45,000	2,724,060
1,559,291	10,570,395	2,782,933	15,897,676
1,559,291	10,570,395	2,833,033	25,944,368
$ 2,193,304	$ 10,620,035	$ 2,959,356	$ 27,557,605

ACALANES UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Governmental Funds		$ 25,944,368
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $174,008,718, and the accumulated depreciation is $44,415,596.		129,593,122
Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year end consist of:		
Deferred Assets - Bond Premiums		(6,231,157)
Unamortized costs: In governmental funds, bond discounts, bond refunding, and bond issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, bond discounts, bond refunding, and bond issuance costs are amortized over the life of the debt. Unamortized bond discounts, bond refunding, and bond issuance costs at year end consist of:		
Deferred Charges - Bond Discounts	$ 855,259	
Deferred Charges - Bond Refunding	26,644,855	
Deferred Charges - Cost of Issuance	708,699	
		28,208,813
Unmatured interest on long-term debt: In governmental funds, interest is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(1,166,154)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Compensated Absences	$ 321,629	
General Obligation Bonds:		
Current Interest	129,350,000	
Capital Appreciation	17,993,489	
		(147,665,118)
Total Net Assets - Governmental Activities		$ 28,683,874

ACALANES UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Bond Interest and Redemption
Revenues		
Revenue Limit Sources:		
State Apportionment	$ 7,583,043	
Local Taxes	30,377,958	
Total Revenue Limit Sources	37,961,001	
Federal Revenue	782,518	
State Revenue	3,876,559	$ 58,766
Local Revenue	13,288,296	6,366,976
Total Revenues	55,908,374	6,425,742
Expenditures		
Instruction	32,035,453	
Supervision of Instruction	3,064,293	
Instructional Library and Technology	1,507,925	
School Site Administration	1,876,760	
Home-To-School Transportation	611,739	
Food Services		
Other Pupil Services	4,799,346	
Data Processing Services	674,096	
Other General Administration	2,851,621	
Plant Services	6,684,384	
Facilities Acquisition and Construction		
Ancillary Services	931,758	
Community Services	152,697	
Enterprise Activities	10,131	
Debt Service:		
Principal Retirement		3,290,000
Interest and Issuance Costs		2,883,839
Other Outgo	225,922	
Total Expenditures	55,426,125	6,173,839
Excess of Revenues Over (Under) Expenditures	482,249	251,903
Other Financing Sources (Uses)		
Operating Transfers In		
Operating Transfers Out	(320,982)	
Total Other Financing Sources (Uses)	(320,982)	0
Net Change in Fund Balances	161,267	251,903
Fund Balances - July 1, 2007	4,858,941	5,709,538
Fund Balances - June 30, 2008	$ 5,020,208	$ 5,961,441

Building	Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
			$ 7,583,043
			30,377,958
			37,961,001
		$ 83,172	865,690
		1,649,442	5,584,767
$ 751,847	$ 526,876	1,428,343	22,362,338
751,847	526,876	3,160,957	66,773,796
		772,508	32,807,961
		27,973	3,092,266
		17,047	1,524,972
		607,317	2,484,077
			611,739
		1,180,734	1,180,734
			4,799,346
			674,096
		250,000	3,101,621
442,655	44,695	10,057	7,181,791
3,484,880	413,107	85,548	3,983,535
			931,758
			152,697
			10,131
			3,290,000
			2,883,839
			225,922
3,927,535	457,802	2,951,184	68,936,485
(3,175,688)	69,074	209,773	(2,162,689)
88,696		524,615	613,311
	(292,329)		(613,311)
88,696	(292,329)	524,615	0
(3,086,992)	(223,255)	734,388	(2,162,689)
4,646,283	10,793,650	2,098,645	28,107,057
$ 1,559,291	$ 10,570,395	$ 2,833,033	$ 25,944,368

ACALANES UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Governmental Funds		$ (2,162,689)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays during the fiscal year:		
Capital Outlays	$ 4,065,864	
Depreciation Expense	(4,294,117)	
		(228,253)
In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for the item are measured by the amount of financial resources used (essentially, the amounts actually paid). This year amounts earned exceeded amounts used by:		(3,305)
Bond premiums are recognized as Other Financing Sources in the period they are received in governmental funds. In the government-wide statements, premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and premiums amortized for the period are:		
Bond Premiums Amortized		416,428
Bond discounts, bond refunding, and bond issuance costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. The difference between discounts, refunding, and issuance costs recognized in the current period and discounts, refunding, and issuance costs amortized for the period are:		
Bond Discounts Amortized	(58,623)	
Bond Refunding Amortized	(1,635,468)	
Cost of Issuance Amortized	(47,901)	
		(1,741,992)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General Obligation Bonds		3,290,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The amount that accrued interest on outstanding general obligation bonds decreased during the year was:		40,238
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was:		(1,093,199)
Change in Net Assets of Governmental Activities		$ (1,482,772)

ACALANES UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	Agency Funds		
	Scholarship Fund	Student Body Funds	Contra Costa SELPA	Total Fiduciary Funds
Assets				
Deposits and Investments (Note 2)	$ 1,157,922	$ 1,493,053	$ 1,271,037	$ 3,922,012
Receivables (Note 4)			3,390,247	3,390,247
Total Assets	1,157,922	1,493,053	4,661,284	7,312,259
Liabilities				
Accounts Payable	66,144		3,709,142	3,775,286
Due to Student Groups		1,493,053		1,493,053
Due to Contra Costa SELPA			952,142	952,142
Total Liabilities	66,144	1,493,053	4,661,284	6,220,481
Net Assets				
Reserved for Scholarships	1,091,778	0	0	1,091,778
Total Net Assets	$ 1,091,778	$ 0	$ 0	$ 1,091,778

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ACALANES UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Private-Purpose Trust
		Scholarship Funds
Additions		
Gifts and Contributions	$	10,350
Interest		26,501
Total Additions		36,851
Deductions		
Scholarships Awarded		71,644
Total Deductions		71,644
Change in Net Assets		(34,793)
Net Assets		
Net Assets - July 1, 2007		1,126,571
Net Assets - June 30, 2008	$	1,091,778

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Acalanes Union High School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Governing Board elected by registered voters of the District, which comprises an area in Contra Costa County. The District was established in 1939 and serves students in grades nine through twelve.

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. In addition, the District has the option to apply FASB pronouncements issued after that date to business-type activities and enterprise funds, if applicable. The District does not currently have any business activities or enterprise funds that require the District to follow the pronouncement of the FASB.

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. 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 non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide financial 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.

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 non-major funds are aggregated into one column. 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 financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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. 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. Under the 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 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 an 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

The accounts of the District are organized on the basis of funds, 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 equity 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's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal and related costs.

Building Fund is used to account for acquisition of major governmental facilities financed from the sale of bonds.

Special Reserve Fund is used to account for special building projects as determined by the governing board of the District.

Non-major 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 non-major special revenue funds:

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

2. *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeterias.

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

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

1. *Capital Facilities Fund* is used to account for community redevelopment agency revenues and capital outlay expenditures.

2. *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Fiduciary Funds:

Private - Purpose Trust Fund is used to account for assets held by the District as trustee. The District maintains a private-purpose trust fund, the Scholarship fund, to provide scholarships to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains four agency funds to account for student body activities at each school site. In addition, the District maintains an agency fund for the Contra Costa Special Education Local Plan Area (SELPA).

F. 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 Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 47.

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 (See Note 3).

G. Use of Estimates

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. 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 encumbrances are liquidated at June 30.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to $100,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

The 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 the FDIC or are collateralized.

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses/Expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to recognize expenditures when incurred. Prepaid expenses include the costs of issuance associated with bond issues, which are amortized over the life of the bond obligation. Reported expenses are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

3. Capital Assets (Concluded)

Asset Class	Years
Sites and Improvements	20
Buildings and Improvements	50
Furniture and Equipment	5-20

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue includes the premiums associated with bond issues, which are amortized over the life of the bond obligation.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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.

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term 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. 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 or uses.

7. 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. 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 of Contra Costa 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 January 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 (January 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 alternative method of distribution 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 applicable attendance period ADA to derive the District's total entitlement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, consist of the following:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks		$ 481,671
Cash in Revolving Funds	$ 22,100	3,000
Cash with Fiscal Agent	2,610,375	371,210
Government Securities	4,380,400	127,439
Mutual Funds		477,831
Corporate Bonds	4,040,272	141,345
County Pool Investments	11,930,898	2,319,516
Local Agency Investment Fund	893,709	
Total Deposits and Investments	$ 23,877,754	$ 3,922,012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Funds

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

Cash with Fiscal Agent

Cash with fiscal agent consists of $398,937 of earned retention funds, held in an escrow account at California Bank and Trust, which will be released to the contractor upon the completion of the construction project; $2,211,438 invested in time deposit accounts maintained in a Merrill Lynch investment account, and $371,210 held in a deposit sweep account maintained by Wachovia Securities.

Government Securities

Government Securities consists of $2,105 invested in a governmental money market account maintained by Morgan Stanley DW Inc.; $4,378,295 invested in governmental notes and bonds maintained in a Merrill Lynch investment account, and $127,439 invested in governmental notes and bonds maintained in a Wachovia Securities investment account.

Mutual Funds

Mutual Funds consist of $477,831 invested in mutual funds maintained in a Wachovia Securities investment account.

Corporate Bonds

Corporate Bonds consist of $2,248 of corporate stocks maintained in a Morgan Stanley DW Inc. investment account; $4,038,024 of corporate stocks maintained in a Merrill Lynch investment account, and $141,345 of corporate stocks maintained in a Wachovia Securities investment account.

County Pool Investments

County pool investments consist of District cash held by the Contra Costa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Local Agency Investment Fund (LAIF)

Local Agency Investment Fund consists of amounts held in a special fund maintained by the California State Treasury through which local governments may pool investments. Each governmental agency may invest up to $40,000,000 in each account in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF. At June 30, 2008, the total cost of the District's investment in LAIF was $893,709. The total fair value of the District's investment in LAIF was $893,665. The fair value total includes an unrealized loss of $44. The unrealized loss was based on a fair market adjustment factor of .999950219 that was calculated by the State of California Treasurer's Office.

At June 30, 2008, the fair value of the State of California Pooled Money Investment Account (PMIA) including accrued interest was $70,154,701,610 The State of California Pooled Money Investment Account portfolio had securities in the form of structured notes totaling $6,113,006,000 and asset backed securities totaling $4,188,272,000. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Board on an annual basis.

General Authorization

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

Governmental Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
Governmental Securities	$ 4,380,400	$ 4,380,400	$ 2,105	$ 4,378,295
Corporate Bonds	4,040,272	4,040,272	2,248	4,038,024
County Pool Investments	11,930,898	11,954,760	10,737,808	1,193,090
Local Agency Investment Fund	893,709	893,665	893,709	
Total	$ 21,245,279	$ 21,269,097	$ 11,635,870	$ 9,609,409

Fiduciary Activities:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
Governmental Securities	$ 127,439	$ 127,439	$ 42,807	$ 84,632
Mutual Funds	477,831	477,831	477,831	
Corporate Bonds	141,345	141,345	141,345	
County Pool Investments	2,319,516	2,324,155	2,087,564	231,952
Total	$ 3,066,131	$ 3,070,770	$ 2,749,547	$ 316,584

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Concluded)

Governmental Activities:

Investment Type	Carrying Value	Fair Value	Rating as of Year End AAA	Aa	Unrated
Governmental Securities	$ 4,380,400	$ 4,380,400			$ 4,380,400
Corporate Bonds	4,040,272	4,040,272		$ 1,645,853	2,394,419
County Pool Investments	11,930,898	11,954,760			11,930,898
Local Agency Investments	893,709	893,665			893,709
Total	$ 21,245,279	$ 21,269,097	$ 0	$ 1,645,853	$ 19,599,426

Fiduciary Activities:

Investment Type	Carrying Value	Fair Value	Rating as of Year End AAA	Aa	Unrated
Governmental Securities	$ 127,439	$ 127,439	$ 127,439		
Mutual Funds	477,831	477,831			$ 477,831
Corporate Bonds	141,345	141,345			141,345
County Pool Investments	2,319,516	2,324,155			2,319,516
Total	$ 3,066,131	$ 3,070,770	$ 127,439	$ 0	$ 2,938,692

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Derivative Investments

The District did not directly enter into any derivative investments. Information relating to the use of derivative investments by the County was not available.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District owns a variety of investments that are maintained in investment accounts maintained by Morgan Stanley DW Inc., Merrill Lynch, and Wachovia Securities. The amounts held in certificates of deposit are insured up to $100,000 per account, by the Federal Deposit Insurance Corporation (FDIC). The remaining amounts are invested in securities that are insured up to $500,000 by the Securities Investor Protection Corporation (SIPC), whose purpose is to help investors whose money, stocks or securities are stolen by a broker or are put at risk when a brokerage fails for other reasons. SIPC protection does not cover declines in the fair value of securities. Accordingly, the District's investments in securities may lose value.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in General Fund were as follows:

	Excess Expenditures
Classified Salaries	$ 30,012

The District incurred unanticipated expenditures in excess of appropriations in each of the above expenditure classifications for which the budget was not revised.

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2008, consist of the following:

	Governmental Funds				
	General	Building	Non-Major Governmental	Totals	Fiduciary Funds
Federal Government					
Categorical Programs	$ 282,977		$ 16,789	$ 299,766	$ 3,154,049
State Government					
State Aid	1,631,790			1,631,790	
Categorical Programs	136,378		63,287	199,665	187,516
Lottery	100,672			100,672	
Other Allowances	180,180			180,180	
Total State	2,049,020		63,287	2,112,307	187,516
Local Governments	427,567			427,567	
Interest	89,207			89,207	20,000
Miscellaneous	474,648	$ 188,842	87,514	751,004	28,682
Totals	$ 3,323,419	$ 188,842	$ 167,590	$ 3,679,851	$ 3,390,247

NOTE 5 - INTERFUND ACTIVITIES

Interfund Transfers

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. 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.

Funds	Transfers In	Transfers Out
General	$	$ 320,982
Building	88,696	
Special Reserve		292,329
Deferred Maintenance	292,329	
Cafeteria	232,286	
Totals	$ 613,311	$ 613,311

Transfer of $88,696 from General Fund to Building Fund for support aquatics facilities use.

Transfer of $232,286 from General Fund to Cafeteria Fund to supplement cash flow.

Transfer of $292,329 from Special Reserve Fund to Deferred Maintenance Fund to match state allocation.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balances July 1, 2007	Additions	Deletions	Balances June 30, 2008
Land	$ 1,905,037			$ 1,905,037
Sites and Improvements	29,328,169			29,328,169
Buildings and Improvements	133,412,426	$ 6,167,545	$ 667,000	138,912,971
Furniture and Equipment	3,680,839	181,702		3,862,541
Work-in-Progress	2,283,383		2,283,383	0
Totals at Historical Cost	170,609,854	6,349,247	2,950,383	174,008,718
Less Accumulated Depreciation for:				
Sites and Improvements	8,813,951	1,420,772		10,234,723
Buildings and Improvements	29,643,615	2,597,574	667,000	31,574,189
Furniture and Equipment	2,330,913	275,771		2,606,684
Total Accumulated Depreciation	40,788,479	4,294,117	667,000	44,415,596
Governmental Activities Capital Assets, net	$ 129,821,375	$ 2,055,130	$ 2,283,383	$ 129,593,122

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 2,451,616
Supervision of Instruction	231,416
Instructional Library and Technology	114,124
School Site Administration	185,735
Home-To-School Transportation	45,781
Food Services	88,363
Other Pupil Services	359,169
Data Processing Services	48,086
Other General Administration	232,363
Plant Services	537,464
Total Depreciation Expense	$ 4,294,117

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2008 was as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Date of Maturity	Original Issue	Amount of Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2008
12/29/00	4.375-5.50	8/1/14	$ 21,925,000	$ 13,740,000		$ 1,520,000	$ 12,220,000
10/28/02	4.25-4.50	8/1/24	21,160,000	21,160,000			21,160,000
4/6/04	2.00-5.00	8/1/22	26,835,000	24,835,000		555,000	24,280,000
5/3/04	5.00	8/1/15	6,555,000	5,205,000		470,000	4,735,000
1/18/05	4.5-5.25	8/1/24	46,425,000	46,425,000			46,425,000
11/29/05	4.0-5.25	8/1/25	20,530,000	20,530,000			20,530,000
Totals			$ 143,430,000	$ 131,895,000	$ 0	$ 2,545,000	$ 129,350,000

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2008, are as follows:

Year Ended June 30	Principal	Interest	Total
2009	$ 2,615,000	$ 2,769,491	$ 5,384,491
2010	2,735,000	2,646,191	5,381,191
2011	2,920,000	2,510,266	5,430,266
2012	3,070,000	2,355,866	5,425,866
2013	3,250,000	2,188,291	5,438,291
2014-2018	21,955,000	25,194,803	47,149,803
2019-2023	55,995,000	25,655,375	81,650,375
2024-2028	36,810,000	11,669,907	48,479,907
Totals	$ 129,350,000	$ 74,990,190	$ 204,340,190

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

B. Capital Appreciation Bonds

Date of Issue	Interest Rate %	Date of Maturity	Amount of Original Issue	Outstanding July 1, 2007	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2008
10/28/02	1.50-4.65	8/1/18	$ 6,839,940	$ 8,172,463	$ 599,631	$ 435,000	$ 8,337,094
5/15/03	2.10-5.74	5/15/28	43,999,951	9,472,827	493,568	310,000	9,656,395
Totals			$ 50,839,891	$ 17,645,290	$ 1,093,199	$ 745,000	$ 17,993,489

The outstanding obligation for the 2002 refunding bonds at June 30, 2008, was as follows:

Maturity Year	Interest Rate %	Amount of Original Issue (Principal)	Accreted Interest	Outstanding June 30, 2008
2009	2.75	$ 381,859	$ 199,470	$ 581,329
2010	3.00	421,274	220,053	641,327
2011	3.30	360,237	188,171	548,408
2012	3.50	321,448	167,912	489,360
2013	3.70	291,216	152,121	443,337
2014-2018	3.85-4.55	2,993,998	1,563,902	4,557,900
2019-2023	4.65	706,424	369,009	1,075,433
Totals		$ 5,476,456	$ 2,860,638	$ 8,337,094

The annual requirements to amortize the 2002 refunding bonds at June 30, 2008, are as follows:

Year Ended June 30	Principal	Interest	Totals
2009	$ 381,859	$ 203,141	$ 585,000
2010	421,274	273,726	695,000
2011	360,237	279,763	640,000
2012	321,448	293,552	615,000
2013	291,216	308,784	600,000
2014-2018	2,993,998	5,036,002	8,030,000
2019-2023	706,424	1,563,576	2,270,000
Totals	$ 5,476,456	$ 7,958,544	$ 13,435,000

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

The outstanding obligation for the 2002 Series A bonds at June 30, 2008, was as follows:

Maturity Year	Interest Rate %	Amount of Original Issue (Principal)	Accreted Interest	Outstanding June 30, 2008
2009	3.05	$ 791,778	$ 258,212	$ 1,049,990
2010	3.35	909,158	296,497	1,205,655
2011	3.70	1,102,441	359,524	1,461,965
2012	4.00	1,294,667	422,205	1,716,872
2013	4.20	1,463,127	477,132	1,940,259
2014-2018	4.35	1,830,096	451,558	2,281,654
Totals		$ 7,391,267	$ 2,265,128	$ 9,656,395

The annual requirements to amortize the 2002 Series A bonds at June 30, 2008, are as follows:

Year Ended June 30	Principal	Interest	Totals
2009	$ 791,778	$ 263,222	$ 1,055,000
2010	909,158	370,842	1,280,000
2011	1,102,441	537,559	1,640,000
2012	1,294,667	740,333	2,035,000
2013	1,463,127	966,873	2,430,000
2014-2018	1,830,096	1,009,904	2,840,000
Totals	$ 7,391,267	$ 3,888,733	$ 11,280,000

NOTE 8 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2008, is shown below:

	Balances July 1, 2007	Additions	Deductions	Balances June 30, 2008	Due within One Year
Compensated Absences	$ 318,324	$ 321,629	$ 318,324	$ 321,629	$ 321,629
General Obligation Bonds:					
Current Interest	131,895,000		2,545,000	129,350,000	2,615,000
Capital Appreciation	17,645,290	1,093,199	745,000	17,993,489	1,631,319
Totals	$ 149,858,614	$ 1,414,828	$ 3,608,324	$ 147,665,118	$ 4,567,948

NOTE 9 - FUND BALANCES

A. Reservations of fund balance as of June 30, 2008 are as follows:

	General Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Totals
Revolving Fund	$ 17,000		$ 1,500	$ 18,500
Debt Service		$ 5,961,441		5,961,441
Stores Inventory			3,600	3,600
Restricted Programs	1,339,091			1,339,091
Totals	$ 1,356,091	$ 5,961,441	$ 5,100	$ 7,322,632

Reserved for Revolving Fund represents the portion of the ending fund balance represented by the revolving fund cash.

Reserved for Debt Service represents the fund balance of the Bond Interest and Redemption Fund, which is reserved for future payment of interest and redemption of bond principal.

Reserved for Restricted Programs reflects unspent program revenues, which are legally restricted for future use.

Restricted program balances in the General Fund at June 30, 2008 were as follows:

Career Technical	$ 7,459
Arts & Music	44,573
Arts, Music & Physical Education	20,317
CAHSEE Intensive Instruction	48,093
CAHSEE Individual Intervention	1,431
Supplemental School Counseling	8,974
Economic Impact Aid	64,390
Gifted and Talented Education	2,595
Instructional Materials Realignment	54,033
Peer Assistance and Review	82,089
Tenth Grade Counseling	17,152
Pupil Retention	25,010
School & Library Improvement	179,262
School Site Discretionary	56,395
District Discretionary	125,379
Instructional / Library Materials	83,618
Restricted Maintenance	86,577
Local Programs	431,744
Total	$ 1,339,091

NOTE 9 - FUND BALANCES (CONCLUDED)

B. Designations of fund balance in the General Fund at June 30, 2008 were as follows:

	General Fund	Other Governmental Funds	Totals
Vacation Liability	$ 321,629		$ 321,629
Economic Uncertainties	1,662,784	$ 45,000	1,707,784
FY 07-08 Budget Savings	311,775		311,775
ADEF	28,507		28,507
CCSIG - Safety Incentive Grant	5,520		5,520
Pupil Testing	76,340		76,340
School Site Donation / Resale	28,145		28,145
Text Resale	69,472		69,472
Classified Retiree Benefits	82,401		82,401
Other Designations	92,487		92,487
Totals	$ 2,679,060	$ 45,000	$ 2,724,060

NOTE 10 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (STRS) for K-12 Education. These payments consist of state general fund contributions to STRS of $1,278,440 (4.517% of salaries subject to STRS). In addition, to the normal rate, a rate of 2.237% was applied to the District's 2003-04 salaries and recorded as a contribution in fiscal year 2007-08.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to plan members and 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.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

A. State Teachers' Retirement System (STRS) (Concluded)

Funding Policy

Active plan members are required to contribute 8% 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 2007-08 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 year ending June 30, 2008, 2007, and 2006, were $2,300,621, $2,163,197, and $2,061,916, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

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, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2008, 2007, and 2006, were $791,489, $866,222, and $1,056,880, respectively, and equal 100% of the required contributions for each year.

C. Social Security

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007-08, the District participated in three joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

NOTE 13 - JOINT VENTURES

The District participates in four joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance; the East Bay Schools Insurance Group (EBSIG) for Property and Liability Insurance, the Schools Excess Liability Fund (SELF) for Excess Liability Insurance, and the Schools Self-insurance of Contra Costa County (SSICCC) for health benefits. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Other Post Employment Benefits

In addition to the pension benefits described in Note 11, the District provides post employment health care benefits to eligible employees for a maximum period of five years or until age 65, whichever occurs first. An eligible employee must be at least 55 years of age, and must have rendered a minimum of 10 years of full-time service to the District. The District makes a monthly contribution toward medical coverage not to exceed $470.67 for single party coverage or $941.34 for two-party coverage. Currently, 41 individuals met these eligibility requirements. During fiscal year 2007-08, the District incurred expenditures of $463,515 on a pay-as-you-go basis, for these post employment health care benefits.

Fourteen (14) individuals receive $57 per month toward medical benefits for life. During the year expenditures of $10,131 were recognized for this benefit.

Based on the latest actuarial study, the actuarial accrued liability for health benefits is $11,917,358. No liability for this amount is recognized in these financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

B. State and Federal Allowances, Awards and Grants

The District has received state and federal 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.

C. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 15 - SUBSEQUENT EVENT

A. Tax and Revenue Anticipation Notes (TRANS)

On July 4, 2008, in association with the California School Cash Reserve Program, the District issued tax and revenue anticipation notes (TRANS) in the amount of $11,035,000. The notes mature on July 6, 2009, and bear interest at 3%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

B. Measure E

On November 4, 2008, the registered voters approved Measure E, which authorizes the District to issue up to $93 million of general obligation bonds to finance the renovation of the District's schools and upgrade their technology.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Acalanes Union High School District (the "District") in connection with the issuance of 2009 General Obligation Bond Anticipation Notes, Series A (the "Series A Notes") and the 2009 General Obligation Bond Anticipation Notes, Series B (the "Series B Notes", together with the Series A Notes, the "Notes"). The Notes are being executed pursuant to a Resolution of the Board of Trustees of the District, adopted on March 18, 2009 (the "Resolution"). The District covenants 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 Notes and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Agreement.

"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 can be found at www.sec.gov/info/municipal/nrmsir.htm or www.sec.gov.

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

"Repository" shall mean, prior to July 1, 2009, each National Repository and each State Repository and, after July 1, 2009, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org

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

"State" shall mean the State of California.

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

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Modifications to rights of Certificate holders.

(iv) Optional, contingent or unscheduled certificate calls.

(v) Defeasances.

(vi) Rating changes.

(vii) Adverse tax opinions or events affecting the tax-exempt status of the Notes.

(viii) Unscheduled draws on the debt service reserves reflecting financial difficulties.

(ix) Unscheduled draws on the credit enhancements reflecting financial difficulties.

(x) Substitution of the credit or liquidity providers or their failure to perform.

(xi) Release, substitution or sale of property securing repayment of the Notes.

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

SECTION 4. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. 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 Dissemination Agent may resign by providing thirty days written notice to the District and the Paying Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 6. 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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall provide notice of such change in the same manner as for a Listed Event under Section 3(c), 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, notice of such change shall be given in the same manner as for a Listed Event under Section 3(c).

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in 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 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 notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:	Acalanes Union High School District 1212 Pleasant Hill Road Lafayette, California 94549
To the Dissemination Agent:	Keygent LLC 1020 Manhattan Beach Blvd. Suite 208 Manhattan Beach, California 90266

SECTION 11. Beneficiaries. This Disclosure Certificate solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 12. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: April 30, 2009

ACALANES UNION HIGH SCHOOL DISTRICT

By: ______________________________
Christopher Learned
Assistant Superintendent, Business Services

Dissemination Agent:

KEYGENT LLC

By: ______________________________
Authorized Officer

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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

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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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 and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes 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 Notes 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 the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

Redemption notices will be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Notes called for redemption or of any other action premised on such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of Notes held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Notes held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Notes for the Beneficial Owners. Any such selection of Notes to be redeemed will not be conducted by the District or the Paying Agent.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, the Underwriter or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying

Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE DISTRICT, THE UNDERWRITER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR PREPAYMENT.

Neither the District, the Underwriter nor the Paying Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Notes paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE NOTES (OTHER THAN UNDER THE CAPTION “TAX MATTERS” HEREIN) WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

The foregoing description concerning DTC and DTC’s book entry system is based solely on information provided by DTC, which the District believes to be reliable, but the District takes no responsibility for the accuracy thereof and no representation is made herein as to the accuracy or completeness of such information.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF NOTES AND WILL NOT BE RECOGNIZED BY THE PAYING AGENT AS OWNERS THEREOF UNDER THE TERMS OF THE BOARD RESOLUTION, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

THE DISTRICT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

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