

*In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, the interest on the Notes is exempt from California personal income taxes. See **“LEGAL MATTERS — Tax Matters”** herein.*

**\$30,000,000**  
**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**(Contra Costa County, California)**  
**2009 TAX AND REVENUE ANTICIPATION NOTES**



**Dated: Date of Delivery**

**Due: November 16, 2010**

The Notes are general obligations of the San Ramon Valley Unified School District, California (the “District”), issued by the Board of Supervisors of Contra Costa County in the name of the District. The principal amount of the Notes, together with the interest thereon, will be payable from taxes, income, revenue, cash receipts and other moneys received by the District allocable to fiscal year 2009/10 and which are generally available for the payment of current expenses and other obligations of the District. As security for the payment of principal of and interest on the Notes, the District has pledged to deposit in the Repayment Fund, as defined herein, on or before June 30, 2010, moneys sufficient to pay principal of, and interest on, the Notes at maturity. See **“THE NOTES — Security for and Sources of Payment”** herein.

The Notes are issued in denominations of \$1,000 or integral multiples thereof. All principal of, and all interest on, the Notes will be payable upon maturity. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only (as described herein under **“THE NOTES — Book-Entry System”**). The Notes are not subject to redemption prior to maturity.

*The following firm, serving as financial advisor to the District, has structured this issue:*



<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <sup>(a)</sup>
<b>2.000%</b>	<b>0.400%</b>	<b>799408 N39</b>

*The Notes were sold by competitive sale on November 4, 2009 to Citigroup Global Markets Inc. as Underwriter at a true interest cost of 0.40218%. The Notes will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. It is anticipated that the Notes in book-entry only form will be available for delivery through the facilities of DTC in New York, New York, on or about November 17, 2009.*

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

Official Statement dated: November 4, 2009

<sup>(a)</sup> Copyright 2009, American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data is included solely for the convenience of the owners of the Notes. The District and the Underwriter assume no responsibility for the accuracy thereof.

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

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

*The information set forth herein has been obtained from either the books and records of the District or from sources which are believed to be reliable. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.*

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH 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 MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT, AND HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.**

# **SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

## **Board of Education**

Bill Clarkson  
*President*

Rachel Hurd  
*Vice President*

Paul Gardner  
*Director*

Greg Marvel  
*Director*

Ken Mintz  
*Director*

## **District Administration**

Steven Enoch  
*Superintendent*

Gary Black  
*Assistant Superintendent, Business Services*

Peggy Perry  
*Director of Fiscal Services*

## **Contra Costa County Treasurer/Tax Collector**

William J. Pollacek

## **PROFESSIONAL SERVICES**

### **Financial Advisor**

KNN Public Finance,  
*A Division of Zions First National Bank*  
*Oakland, California*

### **Bond Counsel**

Quint & Thimmig LLP  
*San Francisco, California*

### **Paying Agent**

Contra Costa County  
Office of the Treasurer-Tax Collector  
*Martinez, California*

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## OFFICIAL STATEMENT

**\$30,000,000**

### **SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT (Contra Costa County, California)**

### **2009 TAX AND REVENUE ANTICIPATION NOTES**

#### **INTRODUCTION**

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

This Official Statement, which includes the cover page, appendices hereto and this Introduction, is provided to furnish information in connection with the sale of \$30,000,000 San Ramon Valley Unified School District (Contra Costa County, California) 2009 Tax and Revenue Anticipation Notes (the “Notes”).

#### **The District**

San Ramon Valley Unified School District (the “District”) provides educational services to the residents of the City of San Ramon, Town of Danville and a small portion of the Cities of Pleasanton and Walnut Creek, plus a significant amount of unincorporated area, including the communities of Alamo, Blackhawk, Diablo and Dougherty Valley, all in south central Contra Costa County (the “County”), California (the “State”), east and inland from the San Francisco Bay. More detailed information regarding the area served by the District, the student population of the District, the tax base of the District and the financial position of the District may be found under “**DISTRICT GENERAL AND FINANCIAL INFORMATION**” and “**DISTRICT TAX BASE INFORMATION**” herein.

#### **Authority for Issuance of the Notes**

The Notes are by statute a general obligation of the District issued pursuant to Article 7.6 (Section 53850 *et. seq.*) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Government Code”) and pursuant to respective authorizing resolutions adopted by the Board of Education of the District (the “Board of Education”) and by the Contra Costa County Board of Supervisors (the “Board of Supervisors”). See “**THE NOTES — Authority for Issuance**” herein.

#### **Purpose of the Notes**

Proceeds of the Notes will be used and expended for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District, including repayment of monies temporarily borrowed for general fund use from other funds of the District. See “**THE NOTES — Purpose of the Notes**” herein.

## **Security and Sources of Payment for the Notes**

The principal amount of the Notes, together with interest thereon, will be payable from taxes, income, revenue and other moneys intended as receipts for the general fund of the District allocable to fiscal year 2009/10 which are generally available for the payment of current expenses and other obligations of the District (the "Unrestricted Monies"). As security for the payment of principal of and interest on the Notes, the District has pledged from Unrestricted Revenues certain Pledged Revenues, as defined herein, to be deposited at certain times on or before June 30, 2010 in a special fund created pursuant to the Resolution, as defined herein, to be held on behalf of the District by the County Treasurer, separate and distinct from all other County and District funds and accounts, designated as the "San Ramon Valley Unified School District (Contra Costa County, California) 2009 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Any moneys placed in the Repayment Fund will be for the benefit of the registered owners of the Notes, and until the principal of and interest on the Notes is paid or provided for, the Repayment Fund will be used solely for the payment of principal of and interest on the Notes.

In the event of bankruptcy of either the District or the County, the rights of owners of the Notes regarding the deposit of the Pledged Revenues into the Repayment Fund may be subject to the discretion of the bankruptcy court. See "**THE NOTES — Security and Sources of Payment**" herein.

## **Description of the Notes**

The Notes will be issued in denominations of \$1,000 or any integral multiple thereof, in fully registered form and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Notes, payments on the Notes will be made directly to DTC, disbursement of such payments to the DTC Participants (defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined herein) will be the responsibility of the DTC Participants, as more fully described hereinafter. See "**THE NOTES — Book-Entry System**" and "**— Discontinuation of Book-Entry System; Payment to Beneficial Owners**" herein.

All principal of, and all interest on, the Notes is payable only at maturity. Interest on the Notes is payable from the date of delivery thereof, calculated on a 30-day month, 360-day year basis. The Notes are not subject to optional redemption prior to maturity.

## **District Investments**

Proceeds from the sale of the Notes will be deposited in the Treasury of the County, credited to the "San Ramon Valley Unified School District (Contra Costa County, California) 2009 Tax and Revenue Anticipation Notes Proceeds Fund" of the District (the "Proceeds Fund"). The proceeds, as well as deposits to the Repayment Fund, will be invested by the County Treasurer in the County pool or in other investments as directed by the District and as permitted by the laws of the State of California. See "**THE NOTES — Investment of Note Proceeds**" herein.

Substantially all operating funds of the District are invested in the Contra Costa County Treasury. Generally, the County Treasurer pools County funds with school district funds and funds of other public agencies and invests the cash. See "**GENERAL SCHOOL DISTRICT INFORMATION — County Investment Pools**".

## **Tax Matters**

In the opinion of Quint & Thimmig LLP, San Francisco, California, bond counsel (“Bond Counsel”), subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “**LEGAL MATTERS — Tax Matters**” herein.

## **Professionals Involved in the Offering**

KNN Public Finance, a Division of Zions First National Bank, Oakland, California, is the financial advisor to the District with respect to the Notes (“Financial Advisor”). All proceedings in connection with the issuance of the Notes are subject to the approval of Bond Counsel. Both the Financial Advisor and Bond Counsel will receive compensation from the District contingent upon the sale and delivery of the Notes. The paying agent for the Notes is the Contra Costa County Office of the Treasurer- Tax Collector (the “Paying Agent”).

## **Offering and Delivery of the Notes**

The Notes will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Bond Counsel. It is anticipated that the Notes in book-entry only form will be available for delivery through DTC in New York, New York, on or about November 17, 2009.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. 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. See “**MISCELLANEOUS - Continuing Disclosure**” herein.

Copies of documents referred to herein and information concerning the Notes are available from the Business Services Department, San Ramon Valley Unified School District, 699 Old Orchard Drive, Danville, California 94526 telephone: (925) 552-5500. The District may impose a charge for copying, mailing and handling.

**END OF INTRODUCTION**

# THE NOTES

## Authority for Issuance

The Notes are general obligations of the District issued by the Board of Supervisors in the name of the District in conformity with the laws of the State, including the provisions of the Government Code, and pursuant to resolutions adopted by the Board of Education on September 22, 2009, and by the Board of Supervisors on October 6, 2009, authorizing the sale and issuance of the Notes (together, the “Resolution”).

## Purpose of the Notes

Proceeds of the Notes will be used and expended for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations or indebtedness of the District, including repayment of monies temporarily borrowed for general fund use from other funds of the District.

## Estimated Sources and Uses of Funds

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

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<b>SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT</b>	
<b>Estimated Sources and Uses of Funds</b>	
<hr/>	
Sources of Funds	
Principal of Notes	\$30,000,000.00
Original Issue Premium	476,700.00
Less Underwriter's Discount	<u>(595.00)</u>
Total Sources	<u>\$30,476,105.00</u>
Uses of Funds	
Deposit to Proceeds Fund:	
Allowance for Costs of Issuance	\$57,150.00
Available for Other General Fund Purposes	<u>30,418,955.00</u>
Total Uses	<u>\$30,476,105.00</u>

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## Description of the Notes

The Notes in the aggregate principal amount of \$30,000,000 will be dated the date of delivery thereof, will mature on November 16, 2010, and will bear interest from the date of delivery thereof at the rate per annum set forth on the cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months. All principal of, and all interest on, the Notes is payable at maturity. The Notes will be issued in book-entry form (see “**THE NOTES — Book-Entry System**” and “**— Discontinuation of Book-Entry System; Payment to Beneficial Owners**” herein) and registered in the name of Cede & Co., as nominee of DTC, in denominations of \$1,000 each or any integral multiple thereof. The Notes are not subject to optional redemption prior to maturity.

## Security for and Sources of Payment

The Notes of the District are, by statute, general obligations of the District. As security for the payment of principal of and interest on an issue of Notes, the District has pledged to deposit in the Repayment Fund the first Unrestricted Moneys received (a), in the month ending January 31, 2010, an amount equal to twenty-five percent (25%) of the principal amount of the Notes, (b), in the month ending April 30, 2010, an amount equal to seventy-five percent (75%) of the principal amount of the Notes, and (c), in the month ending May 31, 2010, an amount sufficient to pay the interest on the Notes at maturity and to make up any deficiency in the amounts required to be deposited during any prior month (the "Pledged Revenues"). The Pledged Revenues will be in an amount sufficient to pay the principal of and interest on the Notes. The principal of and interest on the Notes constitute a first lien and charge against, and will be paid from, the Pledged Revenues.

To the extent not paid from Pledged Revenues, the Notes will be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient Unrestricted Moneys received by the District to permit deposit into its Repayment Fund of the full amount of the Pledged Revenues to be deposited in that month on the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the repayment of the Notes and the interest thereon. Any moneys placed in the Repayment Fund will be for the benefit of the registered owners of the Notes, and until the principal of and interest on the Notes is paid or provided for, the Repayment Fund will be used solely for the payment of principal of and interest on the Notes.

The District has pledged the Pledged Revenues described below to be transferred to the Repayment Account at the times and in the amounts as follows:

---

<b>SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT</b>		
<b>Amount of Pledge</b>		
<u>January 2010</u>	<u>April 2010</u>	<u>May 2010</u>
\$7,500,000.00	\$22,500,000.00	\$598,333.33

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As further security, the District has covenanted in the Resolution that it will not request the County Treasurer to make temporary transfers of funds during the 2009/10 fiscal year until the full amount of Pledged Revenues has been deposited into the Repayment Fund. The Resolution, however, does not preclude the District from issuing subsequent series of tax and revenue anticipation notes during the 2009/10 fiscal year.

Because the County will be in possession of the taxes and other revenues to be set aside to pay one or more issues of Notes, and such moneys are likely to be invested in its pooled investment fund, should the County go into bankruptcy, a court might hold that the Owners of the Notes do not have a valid lien on the amounts set aside in the Repayment Fund. In that case, unless the Owners could trace the funds, the Owners would be merely unsecured creditors of the County. There can be no assurance that the Owners could successfully so trace the Pledged Revenues and other Unrestricted Moneys, if any, set aside in the Repayment Fund.

## Deposit of Note Proceeds

Proceeds from the sale of the Notes will be deposited in the Treasury of the County, credited to the Proceeds Fund, to be used and expended by the District for any purpose for which it is authorized to expend

funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures and the discharge of any obligation or indebtedness of the District.

### **Investment of Proceeds Fund and Repayment Fund**

Monies in the Proceeds Fund and Repayment Fund shall be invested by the County in any one or more investments generally permitted to school districts under the laws of the State of California, consistent with the investment policy of the County and the Resolution (the “Permitted Investments”). Permitted Investments shall specifically include: (a) the County Pooled Investment Fund maintained by the County Treasurer; and, (b) at the request of the District, (i) the Local Agency Investment Fund maintained by the Treasurer of the State of California; (ii) other investments permitted under section 53601 of the California Government Code; and (iii) investment agreements with financial institutions with senior unsecured credit ratings at least one of the two highest rating categories (without regard to any refinement or gradation of such rating category by a plus or minus or a numeral) from one or more nationally recognized statistical rating organizations then rating the Notes. In regard to any investments requested by the District specified in clauses (b)(i), (b)(ii) or (b)(iii) above, the County may decline the request of the District upon any reasonable basis, including specifically, any concerns of the County regarding the legality, structure or appropriateness of the investment vehicle generally or the process for the bidding or execution of the investment.

### **Note Net Coverage Ratio**

A “Note Net Coverage Ratio” can be calculated for the District by dividing the June 30, 2010 estimated ending cash balance before payment of principal of and interest on the Notes by the sum of the principal of and interest on the Notes. See “**GENERAL AND FINANCIAL DISTRICT INFORMATION — Note Net Coverage Ratio**” for further detail.

### **Other District Funds**

The District maintains certain segregated and special purpose funds outside its general fund not pledged to the payment of the Notes, which could, if needed and to the extent monies are available therein, be accessed on a temporary basis through action of the Board of Education. Such borrowed amounts must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances. See “**GENERAL AND FINANCIAL DISTRICT INFORMATION**” herein for a description of significant other such funds maintained by the District.

### **Book-Entry System**

*The information in this section concerning DTC and DTC’s book-entry system has been furnished by DTC for use in disclosure documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC will distribute to Direct Participants, or that Direct Participants or Indirect Participants will distribute to the Beneficial Owners, payments of principal of, interest, and premium, if any, on the Notes paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the District nor the County nor the Paying Agent are responsible or liable for the failure of DTC or any Direct or Indirect Participant to make any payments or give any notice to a Beneficial Owner or any error or delay relating thereto. Accordingly, no representations can be made concerning these matters and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

DTC will act as securities depository for the Notes. The Notes will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be executed and delivered for the Notes, in the aggregate principal amount, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). The information set forth on such websites is not incorporated herein by reference thereto.

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 a Certificate ("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 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 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 prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 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 shall be sent to DTC. If less than all of the Notes within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

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

Redemption proceeds, distributions, and dividend payments on 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 issuer or 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 District or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County 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.

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

The County may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

### **Discontinuation of Book-Entry System; Payment to Beneficial Owners**

The following provisions governing the payment, transfer and exchange of the Notes apply to holders of the Notes. As long as the DTC book-entry system described above is in effect, Cede & Co., or such other nominee of DTC, but not the Beneficial Owners, are holders of the Notes. Only in the event that Notes are printed and delivered to the Beneficial Owners do these provisions then apply directly to Beneficial Owners as holders of the Notes.

Principal of and interest on the Notes will be payable upon presentation and surrender of the Notes in lawful money of the United States of America at the principal office of the Paying Agent, or such other location as the Paying Agent may specify.

Any Note may be exchanged for a like aggregate principal amount of Notes in other authorized denominations upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Note may be transferred only on the Bond registration books upon

presentation and surrender of the Note at the principal office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the designated District official shall execute, and the Paying Agent shall authenticate and deliver a new Note or Notes of any authorized denomination or denominations requested by the registered owner or by a person legally empowered to do so, equal in the aggregate to the unmatured principal amount of the Note surrendered and bearing interest at the same rate and maturing on the same date.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

*The information in this section concerning certain provisions of Articles XIII A, XIII B, XIII C and XIII D of the State constitution, Propositions 98 and 111 and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. For specific financial information on the District, see “GENERAL AND FINANCIAL DISTRICT INFORMATION” herein.*

### **Article XIII A - Limit on Property Tax**

Article XIII A of the State constitution (the “Constitution”) limits, subject to certain exceptions, the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax 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. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of those voting in an election to impose *ad valorem* taxes, and, except to pay debt service on certain voter approved indebtedness, prohibits the imposition of any additional *ad valorem*, sales or transaction taxes on real property. Article XIII A does permit *ad valorem* taxes to be levied in excess of the basic 1% tax limitation as required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, (b) on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on any bonded indebtedness approved by fifty-five percent of the votes cast by the voters of a school or community college district for the construction, reconstruction, rehabilitation or replacement of, including furnishing and equipping of, or the acquisition or lease of real property for, school facilities, provided that certain accountability and other requirements are satisfied. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues, while prohibiting the imposition by the State Legislature of any new *ad valorem*, sales or transaction taxes on real property.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax except to pay voter-approved indebtedness. The 1% property tax is automatically levied by each county in the State and distributed according to a formula among taxing agencies within that county. The formula apportions the tax roughly in proportion to the relative shares of taxes last levied prior to 1989.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency claims, if any, on tax increment and subject to changes in organization, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

### **Article XIII B - Appropriations Limit**

Article XIII B of the Constitution, approved by voters in 1979 and subsequently amended by Propositions 98 and 111, 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, for transfers in the financial responsibility for providing services and for certain declared emergencies (the “Gann limit”). As amended, Article XIII B defines:

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

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues. For school districts, Article XIII B constrains appropriations from State and local tax sources, but not federal aid or non-tax income, such as revenues from cafeteria sales or adult education fees.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for 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 XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two fiscal years. If a school district receives any proceeds of taxes in excess of its appropriations limit, it may increase its appropriations limit to equal that amount by taking the appropriations limit from the State.

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

Article XIII B does not impact the ability of the County to levy and collect the property tax or pay debt service on the District’s general obligation bonds.

## Propositions 98 and 111 - State Funding for School Districts

On November 8, 1988 the voters approved Proposition 98, an initiative constitutional amendment and statute called “The Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school district appropriations limits.

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 XIII B and Sections 8 and 8.5 of Article XVI of the Constitution with respect to appropriations limitations and school funding priority and allocation.

Article XIII B, as amended by both Proposition 98 and Proposition 111, is discussed above under **“Article XIII B.”**

The provisions of Sections 8 and 8.5 of Article XVI, as added to or amended by Propositions 98 and 111, may be summarized as follows:

- (a) *State Funding of Schools (Section 8).* Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following “tests”:
  - (I) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIII B, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;
  - (ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent);
  - (iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

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 the general fund revenue growth exceeds personal income growth.

The State legislature by a two-thirds vote of both houses, with the Governor's concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

- (b) *Allocations to the State School Fund (Section 8.5).* In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIII B) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIII B limitations and are to be made in an equal amount per enrollment.

### **Proposition 1A - Limit On ERAF Shifts To School Districts**

Since fiscal year 1992/93 the State has satisfied a portion of its Proposition 98 obligations for revenue limit funding of school districts by shifting part of the 1% local *ad valorem* property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. At the November 2004 election State voters approved Proposition 1A, limiting the amount and frequency of such ERAF shifts of property tax revenue from other taxing agencies to school districts.

Under Proposition 1A, beginning in fiscal year 2008/09, the State will be able to divert no more than eight percent of local property tax revenues for State purposes (including, but not limited to, funding K-12 education) only if: (a) the Governor declares such action to be necessary due to a State fiscal emergency; (b) two-thirds of both houses of the Legislature approve the action; (c) the amount diverted is required by statute to be repaid within three years; (d) the State does not owe to local agencies any repayment for past property tax or Vehicle License Fee diversions; and (e) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, the State will have to rely more heavily on State general fund moneys for Proposition 98 funding of school districts.

As a part of its Revised 2009/10 Budget (see “**GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION - State Budget**”) legislation, the State enacted AB 26 4X, which shifts \$1.7 billion in 2009/10 and \$350 million in 2010/11 out of city and county redevelopment agencies into “Supplemental Education Revenue Augmentation Funds” (“SERAF”) in each county for payment to schools. SERAF money is to be given only to school districts and county offices of education wholly or partially within redevelopment agency project areas and used only to serve students living within project areas or in housing supported by redevelopment funds. SERAF are deemed by the State to be property tax revenue of the receiving school district or county office of education that reduces dollar for dollar the State’s requirement to fund any shortfall there may be between the recipient district’s or county office’s own property tax revenue and its revenue limit funding entitlement under Proposition 98; it alters only the mix, not the total amount of revenue limit funding received by a school district.

The California Redevelopment Association, an association of California redevelopment agencies, has filed a law suit aimed at overturning the AB 26 4X as a violation of the State constitutional requirement that redevelopment agency tax increment be used for redevelopment purposes. Whether this lawsuit will be successful is unknown, though the State enacted a somewhat similar taking of redevelopment agency tax increment for ERAF in the 2008/09 State budget that was overturned by the Sacramento Superior Court on April 30, 2009 as a violation of the State constitutional requirement that redevelopment agency tax increment be used for redevelopment purposes. The central argument in that decision was that taking redevelopment agency tax increment to balance the State budget was not a redevelopment purpose. The State dropped its appeal of this decision on September 28, 2009, making the decision final.

## **Propositions 57 and 58 - California Economic Recovery Bond Act and State Budget Requirements**

On March 2, 2004 State voters passed Proposition 57, the California Economic Recovery Bond Act, authorizing the issuance by the State of up to \$15 billion of bonds to finance the State's negative general fund balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The State has issued \$10.896 billion Economic Recovery Bonds under this authorization. In the same election State voters passed Proposition 58, the Balanced Budget Amendment, requiring the State to adopt and maintain a balanced budget, establish a reserve and restrict future long-term deficit-related borrowing.

## **Articles XIIC and XIID - Right to Vote on Taxes, Assessments, Fees and Charges**

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

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

Voter approved special taxes (including those levied pursuant to the Mello-Roos Community Facilities Act), "parcel taxes" and assessments levied pursuant to the Landscape and Lighting District Act of 1972 (among other assessments), that are not pledged to the payment of bonds, may be subject to reduction or repeal by voter initiative under the provisions of Article XIIC.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect laws existing prior to enactment of Articles XIIC and XIID relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by a school district. By its terms, Article XIID does not apply to *ad valorem* property tax of the type levied to pay debt service on the District's general obligation bonds.

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

## **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 98, 111 and 1A 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 school districts' revenues or ability to expend revenues.

## **AD VALOREM PROPERTY TAXATION**

*The information in this section describes how ad valorem property taxes in general are assessed and levied. For specific information on the property tax base, tax levies and collections in the District, see "DISTRICT TAX BASE INFORMATION" herein.*

### **County Services**

School districts and other public agencies with property tax levies in the State all use the services of their county for the assessment of property values (certain utility and other classes of property are assessed by the State Board of Equalization; see "**-State-Assessed Utility Property**" herein) and collection of property taxes and property assessments. All property taxes and assessments on property due all taxing agencies in each county generally are included on the same unified tax bill from the county to property owners twice each year, based on the same county administered tax rolls, whether general purpose property tax or specific *ad valorem* property tax for payment of general obligation bonds. In addition, for school district general obligation bonds, the county, not the school district, determines and levies each year's tax in an amount necessary to provide for payment of the school district's general obligation bond debt service. Property taxes collected are apportioned by each county according to purpose and taxing agency as prescribed by State law to that county and all school districts, special districts, cities and other agencies within that county with property tax levies. The amounts apportioned specifically for payment of school district general obligation bonds are retained by the county, and used to make the debt service payments on those bonds on behalf of the school district.

### **Assessed Valuation**

All non-exempt property is assessed using full cash value as defined by Article XIII A of the California Constitution (the "Constitution"). State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files and qualifies for such exemption. The State is required to reimburse local agencies for the value of taxes on the exempt \$7,000. State law also provides exemptions from *ad valorem* property taxation for certain classes of property based on ownership or use, such as household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories and real property used for religious, non-profit hospital, scientific and charitable purposes; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed, nor is local government property located within the jurisdiction of that local government.

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 that part of the assessment roll containing State-assessed property and other property having a tax lien on real property which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property. Unsecured property is assessed on the "unsecured roll." Pursuant to State law, every tax levied by

a county that becomes a lien on secured property has priority over all present and future private liens arising on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is from July 1 through June 30) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to a “supplemental” roll during the year acquired or when improvements are completed, and such property is taxed at the secured or unsecured rate then in effect, as appropriate, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

Future growth in assessed valuation allowed under Article XIII A is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

See “**DISTRICT TAX BASE INFORMATION**” herein for a history of assessed valuation and a list of the largest secured tax payers for the current tax year within the District.

### **State-Assessed Utility Property**

The Constitution provides that the State Board of Equalization (the “SBE”) rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as “going concern” operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as “unitary property.” The SBE assesses property at “fair market value,” determined by various methods and formulae depending on the nature of the property, except that certain railroad property is assessed at a specified percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Ongoing changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may cause property that had been assessed by the SBE to be assessed locally instead. A change in property status from assessment by the SBE to assessment locally or the reverse may result in a change in property tax revenue received by local agencies and an adjustment in *ad valorem* tax rates and debt capacity for any local agency general obligation bonds.

### **Tax Levies, Collections and Delinquencies**

Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year. The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by end of business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes, plus a charge of \$10 if unpaid after April 10. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted if not paid by June 30 of the same fiscal year. Such property may thereafter be redeemed by payment of (a) the delinquent taxes, (b) the 10% penalty, (c) the \$10 charge, (d) an additional penalty of 1.5% per month from July 1 to the time of redemption and (e) a redemption fee of \$15 per parcel, \$5 of which goes to the State (collectively, the "Redemption Amount"). Properties may be redeemed under an installment plan of paying the Redemption Amount in five equal installments over a period of four years. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax defaulted. If taxes are unpaid five years after the property becomes tax defaulted or, if an installment plan is in place, at the end of an installment plan, the County can initiate a "power to sell" procedure for the County Tax Collector to sell the property at auction. Alternatively, in certain instances the County may institute a superior court action to foreclose the lien on delinquent property; if the lawsuit is successful, the delinquent property may be sold at a judicial foreclosure sale.

A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue and a lien is recorded against the assessee. The taxing authority may collect delinquent unsecured personal property taxes by: (a) a civil action against the taxpayer; (b) filing a certificate of delinquency in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; and (c) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental roll taxes are due on the date the bill is mailed. If the tax bill is mailed within the months of July through October, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on December 10 of the same year and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on April 10 of the next year; if the bill is mailed within the months of November through June, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the month following the month in which the bill is mailed and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the fourth calendar month following the date the first installment is delinquent. A 10% penalty attaches to any delinquent payment for supplemental roll taxes.

All tax due dates and delinquency dates become the next business day if they fall on a day that is not a business day.

## **Teeter Plan**

Under 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 State Revenue and Taxation Code, each participating local agency levying secured property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local

agency, varies by county. The County does apply the Teeter Plan to secured tax levy collections for bonds. See **“DISTRICT TAX BASE INFORMATION — Secured Tax Charges and Delinquencies”** herein for a history of property tax collections and delinquencies in the District.

## **GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION**

*The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. For specific financial information on the District, see “DISTRICT INFORMATION” herein.*

### **State Funding of School Districts**

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of average daily attendance (“A.D.A.”). If a district’s total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between the revenue limit and a district’s actual property tax receipts (after any redevelopment agency tax increment or other deductions or “shifts” that may be in effect under State law). A.D.A. is determined by school districts twice a year, in December (“First Period A.D.A.”) and April (“Second Period A.D.A.”).

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district’s current year “component” revenue limits per A.D.A.; third, the current year component revenue limits per A.D.A. are applied to the school district’s A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as “add-ons” are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. A.D.A. calculations are based on actual attendance and do not include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

See **“DISTRICT INFORMATION”** herein for the District's specific annual revenue limit per A.D.A.

## Basic Aid Districts

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of \$120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding within categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid district.

## State Budget

The State budget approval process begins with the release to the State legislature by January 10th of the Governor's proposed budget for the following fiscal year. State fiscal years begin July 1st. In May, the Governor submits a revision of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the State legislature and submitted to the Governor. The Governor may reduce or eliminate any appropriation by line-item veto. Although the budget is required by the Constitution to be approved no later than June 15th, it often has not been approved until later.

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the K-12 education portion of the State budget pursuant to Propositions 98 and 111 and other provisions (see "**CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS**" herein), in the State budget process the Governor and State legislature still have, and exercise, significant leeway in deciding whether and by how much to exceed or reduce such allocation in the actual funding of K-12 school districts, and to decide what funds will be general purpose or restricted purpose.

On January 10, 2008, the proposed *Governor's Budget for 2008/2009* was released, on May 14, 2008 the *May Budget Revision* was released and on September 23, 2008 the *2008/09 Budget Act* was signed (the "2008/09 Budget"), a balanced budget designed to address an otherwise anticipated at the time State budget shortfall of \$24.3 billion. State revenues continued to decline below the amounts budgeted, and on December 10, 2008, the Governor announced that the 2008/09 shortfall had become at least \$14.8 billion, and if unaddressed for 2008/09 and 2009/10, the cumulative budget shortfall by the end of 2009/10 could reach \$41.6 billion. On January 9, 2009 the Governor proposed his *Budget for 2009/10*, and on February 20, 2009, the State enacted its *2009 Budget Act* (the "2009/10 Budget"), a "17 month budget" through the end of 2009/10 that included certain revisions for 2008/09 as well. The 2009/10 Budget balanced State revenues and expenditures by the end of 2009/10, closing completely the previously identified \$41.6 billion budget gap by a combination of expenditure reductions, increases in taxes on income, sales and vehicles, borrowing and receipt of federal stimulus funds. Certain fund diversions and other aspects of 2009/10 Budget depended on voter approval of certain propositions submitted to State voters on May 19, 2009, many of which would have resulted in tax increases, and all of which were voted down by large margins. On May 14, 2009 the Governor had issued his *2009-10 May Revision*, followed by two further revisions to address the voter defeat of the propositions and continuing decline in State revenues. The final, third revision to the *2009-10 May Revision* was released on May 29, 2009. On July 28, 2009 the Governor signed into law revisions to the 2009/10 Budget (with the enacted revisions, the "Revised 2009/10 Budget"), again to achieve a positive ending balance by June 30, 2010. In total, the Revised 2009/10 Budget provides "solutions" of \$3.714 billion for 2008/09 and \$20.445 for 2009/10 to address an otherwise projected additional shortfall of \$24.159 billion by June 30, 2010 that had developed in the State's revenue and budget projections since the 2009/10 Budget was originally enacted in February 2009. The Governor has said that there is no guarantee that further revenue and budget shortfalls will not arise, relative to the Revised 2009/10 Budget. On October 9, 2009, the State Controller announced that relative to the State general fund revenue assumptions through September 30, 2009 in the Revised 2009/10 Budget, actual revenue through September 30, 2009 was \$1.08 billion less.

## *Revised 2009/10 Budget*

The Revised 2009/10 Budget reports for 2008/09 prior year resources available of \$4.071 billion and projects revenues and transfers-in of \$84.097 billion, for a total of \$88.168 billion in total resources available; and for 2009/10 projects prior year resources available of (\$3.379) billion and revenues and transfers-in of \$89.541 billion, for a total of \$86.162 billion in total resources available. General fund expenditures are projected to be \$91.547 billion for 2008/09 and \$84.853 billion for 2009/10, with general fund ending balances of (\$3.379) billion and \$1.579 billion, respectively. Among other things, the 2009/10 Budget proposes the State “borrowing” up to 8% of the property tax revenue of cities, counties and special districts, but not school districts, pursuant to Article XIII of Section 2.5 of the State constitution, which must be paid back within three years. The State has proposed selling, in November 2009, through an authority, three year securities, the proceeds of which will fund the entire 8% of the property tax revenue taken from local agencies to the local agencies “lending” this money, in equal installments on January 15, 2010 and May 15, 2010, so that in effect the lending agencies are made whole to the extent of the 8% of the property tax revenue borrowed from them on approximately the same schedule that they normally receive property tax revenue. The State will pay the debt service on the three year securities. Alternatively, local agencies may elect to directly lend the money to the State for three years at an interest rate of 2.00%.

The Revised 2009/10 Budget projects Proposition 98 funding of K-12 and community college education, including local property tax revenue, of \$34.052 billion for 2008/09 and \$35.032 billion for 2009/10. The July 2009 amendments to the 2009/10 Budget reduce Proposition 98 funding for K-12 and community college education by \$2.056 billion in 2008/09 and \$4.463 billion in 2009/10. Further, the Revised 2009/10 Budget defers \$1.8 billion in K-12 and community college State funding for 2009/10 to August 2010. To assist State cash flow requirements, under the Revised 2009/10 Budget K-12 schools will have deferred an additional approximately \$2 billion of State revenue limit apportionments previously scheduled for payment earlier in 2009/10 to December 2009 and January 2010, and the base apportionment distribution schedule (before deferrals) is revised to receipt by school districts of five percent of the annual amount due to them each month in July and August and nine percent each month in the remaining months. Offsets to schools include \$6 billion in federal stimulus funds received by California school districts in late 2008/09 and early 2009/10, legislative authorization for school districts to spend many categorical funds as they wish rather than only according to the originally specified purpose and the ability to reduce instruction from 180 days to 175 days for the year, if they can do so under their labor agreements, or negotiate doing so (the Revised 2009/10 Budget funds all districts for 175 days of instruction, whether the district instructs for 175, 180 days or in between).

For K-12 education, the State general fund in the Revised 2009/10 Budget provides \$33.890 billion in 2008/09 and \$35.042 billion in 2009/10; the difference from total Proposition 98 funding is funded from local property tax revenue projected for each school district and to a minor extent, from certain other sources. Parcel tax revenue, if any, is in addition to revenue limit income. Among other things, the Revised 2009/10 Budget rescinds payment of the 2008/09 COLA, does not fund the 4.25% statutory COLA for 2009/10, and assumes a 0.300% decline in A.D.A. statewide. For 2008/09, the estimated State-wide average revenue limits per A.D.A., after a 2008/09 revenue limit deficit factor of 7.844%, were \$5,420.62 for elementary, \$6,514.51 for high and \$5,667.59 for unified school districts. For 2009/10, the estimated State-wide average revenue limits per A.D.A., with a 2009/10 deficit factor of 18.355% and one-time further deduction of \$250, are \$4,756.47 for elementary, \$5,766.42 for high and \$4,984.26 for unified school districts.

## **State Funding of Schools Without A State Budget**

On May 29, 2002, the Court of Appeal of the State of California for the Second Appellate District in *White v. Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) a continuing appropriation enacted by the Legislature, (b) a self-executing provision of the State constitution, including payment of certain funds for public schools under Article XVI, Section 8.5 of the constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, Section 8.0 does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision in *White v. Davis et al.* granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003/04 State budget impasse, the State Controller announced that only “payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made.” The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the *2003/04 Budget Act* was enacted.

## **State Funding of School Construction**

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction (“OPSC”) and the State Allocation Board (“SAB”), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of \$13.05 billion, \$11.40 billion of which were for K-12 school facilities and \$1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2004 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of \$12.3 billion, \$10.0 billion of which is for K-12 school facilities and \$2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes \$7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for “hardship” funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder’s fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

## **State Retirement Programs**

School districts participate in the State of California Teachers Retirement System (“STRS”). STRS covers all full-time and most part-time employees with teaching certificates. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. School districts also participate in the State of California Public Employees Retirement System (“PERS”). PERS covers all classified personnel, generally those employees without teaching certificates, who are employed at least four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have had five years of covered PERS service as a public employee.

Contribution rates to PERS varies with changes in actuarial assumptions and other factors, such as changes in benefits and investment performance, and are set by a State retirement board for PERS. The contribution rates are set by statute for STRS at a constant 8.25% of salary. STRS has a substantial State-wide unfunded liability. Under current law, the liability is the responsibility of the State and not of individual school districts. See “**DISTRICT INFORMATION**” herein for information regarding the District's contributions to these retirement systems.

## **County Office of Education**

In each county there is a county superintendent of schools (the “County Superintendent”) and a county board of education. The Office of the County Superintendent, frequently known as the “County Office of Education” (the “County Office” herein) in each county provides the staff and organization that carries out the activities and policies of the County Superintendent and county board of education for that county.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and each district must provide its County Office with scheduled interim reports throughout the fiscal year. County Offices also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

The District is under the jurisdiction of, and is served by, the County Office for Contra Costa County.

## **School District Budget Process**

School districts are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School districts’ annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves which can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may

be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 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 Superintendent, or as needed. Under either procedure, the school board must revise its adopted budget within 45 days after the Governor signs the State budget act to reflect any changes in budgeted revenues or expenditures made necessary by the adoption of the State's budget.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and 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. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

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

At minimum, school districts are required by statute to file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15<sup>th</sup> covering financial operations from July 1 through October 31<sup>st</sup>, and a Second Interim Financial Report by March 15<sup>th</sup> covering financial operations from November 1 through January 31<sup>st</sup>. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report by June 1<sup>st</sup> covering financial operations from February 1<sup>st</sup> through April 30<sup>th</sup>. If not required, a Third Interim Financial Report generally is not prepared (though may be at the election of the district). Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

## Temporary Inter-fund Borrowing

The Education Code generally authorizes a school district to temporarily transfer cash from a specific purpose fund to any other district fund by district board action, including transfer of cash from proceeds of general obligation bonds; *provided that*, (a) the transferred cash is repaid to the original fund within the same fiscal year or (b), if transferred within the final 120 days of a fiscal year, then repaid to the original fund within the following fiscal year. However, depending on the circumstances of a particular such transfer, other State law, grant or contractual restrictions, or in the case of proceeds of tax-exempt obligations, federal tax law, may apply and may further restrict the use of such cash.

## Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also “**Notes to Financial Statements - Note 1**” in “**APPENDIX A**” herein for further discussion of applicable accounting policies.

## County Investment Pool

In accordance with Education Code Section 41001, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer or finance director serves as *ex officio* treasurer for those school districts located within the county. Each county treasurer or finance director has the authority to invest school district funds held in the county treasury. Generally, the county treasurer or finance director pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, Contra Costa County, 625 Court Street, Finance Building, Room 100, Martinez, CA 94553, telephone (925) 957-5280. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County’s pooled investment portfolio as of June 30, 2008, is included herein in “**APPENDIX D — CONTRA COSTA COUNTY INVESTMENT POLICY AND INVESTMENT POOL AS OF JUNE 30, 2008**”.

# THE DISTRICT

## Introduction

The San Ramon Valley Unified School District was unified in 1965 with the combining of the elementary and high school districts then in existence in the area of the current District boundaries. The District is located in southern Contra Costa County, California, east and inland from San Francisco Bay. The District occupies an area of approximately 104 square miles. It provides educational services to residents of the City of San Ramon, Town of Danville and a small portion of the Cities of Pleasanton and Walnut Creek, plus a significant portion of unincorporated area, including the communities of Alamo, Blackhawk, Diablo and Dougherty Valley.

The District operates twenty-one elementary schools, eight middle schools, four comprehensive high schools, one continuation high school and one independent study school. These schools and additional facilities comprise a total of approximately 3,000,000 square feet of building area.

The 2009/10 pupil-teacher ratios are as follows:

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Pupil - Teacher Ratios**

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<u>Grade</u>	<u>Ratio</u>
K through 3	22 to 1
4 and 5	30 to 1
6 through 8	29 to 1
9 through 12	28 to 1

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Source: San Ramon Valley Unified School District.

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The District is governed by a Board of Education consisting of five members. Members are elected to four-year terms in alternate slates. The day-to-day operations are managed by a Board-appointed Superintendent of Schools. Mr. Steven Enoch was appointed Superintendent as of July 1, 2008.

## Average Daily Attendance and Revenue Limit

The following table reflects historical and estimated average daily attendance for the District. A.D.A. calculations are based on actual attendance.

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Average Daily Attendance Annual Report (P-2)**

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<u>Academic Year</u>	<u>Average Daily Attendance<sup>(a)</sup></u>
2004/05	22,147
2005/06	23,090
2006/07	23,921
2007/08	25,170
2008/09	26,217
2009/10 <sup>(b)</sup>	26,435

<sup>(a)</sup> Includes K-12, special education, continuation education, home and hospital/other; excludes Adult Education.

<sup>(b)</sup> Estimated.

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Source: San Ramon Valley Unified School District.

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The District is not a Basic Aid District. The District's annual revenue limit per A.D.A. was \$6,099.69 (\$5,621.23 after deficit factor) per A.D.A. for 2008/09, and is projected to be \$6,360.69 (\$5,217.86 after deficit factor) per A.D.A. for 2009/10. See **“GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of Education”** herein for an explanation of revenue limit funding.

## Labor Relations

The District employs 1,459 full-time equivalent certificated and 753 full-time equivalent classified employees. There are four formal bargaining organizations operating in the District which are described in the table below. Presently, certain supervisors and management employees, an aggregate total of 108 full-time equivalent, are not represented by an exclusive bargaining agent. Salaries and benefits for supervisors, management and confidential employees are determined through an informal process of “meet and confer” with representatives from each of these classifications.

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Labor Relations**

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<u>Labor Organization</u>	<u>Number of FTE Employees</u>	<u>Contract Expiration Date<sup>(a)</sup></u>
San Ramon Valley Education Association	1,392	June 30, 2008
California School Employees Association Unit II	278	June 30, 2010
California School Employees Association Unit III	285	June 30, 2010
Service Employees International Union	<u>106</u>	June 30, 2010
Total	<u>2,061</u>	

<sup>(a)</sup> All contracts are subject to annual reopeners. San Ramon Valley Education Association contract is under negotiation.

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Source: San Ramon Valley Unified School District.

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### **Retirement Programs**

The District contribution to STRS for fiscal year 2008/09 was \$8,974,008 and in fiscal year 2009/10 is estimated to be \$8,944,101. The District contribution to PERS for fiscal year 2008/09 was \$2,889,421 and in fiscal year 2009/10 is estimated to be \$3,066,613. See **“GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — Retirement Programs”** herein for further information on STRS and PERS.

### **Other Post-Employment Benefits**

The District has negotiated retiree health benefits for eligible employees of all of its bargaining units except California School Employees Association Unit III, employees working less than 50% full-time and California School Employees Association Unit II employees hired on or after October 1, 2002. In general, eligibility requires retirement from PERS or STRS on or after age 55 with at least 10 years of District eligible service.

The District also provides retiree health benefits for eligible management and confidential hired before July 1, 2004. The District contribution for these eligible retirees varies by date of hire and date of retirement.

On June 30, 2009, 640 retirees, 59 management personnel and 581 bargaining unit members were beneficiaries of District retiree benefits. In fiscal year 2008/09 the District paid \$2,168,713 in post employment benefits and has budgeted \$2,301,716 for fiscal year 2009/10.

The Eppler Company has delivered to the District an actuarial study, dated September, 2009, concluding that, as of July 1, 2009, the amount of actuarial accrued liability for the District’s post-employment health care benefits, as calculated under GASB 45 for financial reporting purposes, is approximately \$56.6 million, based on a variety of assumptions that are subject to change. According to the study, if the District had begun fully funding this actuarial accrued liability as of July 1, 2009, the annual required contribution of 2009/10 would need to be approximately \$4.0 million instead of the actual \$2.6 million, a difference of approximately \$1.4 million. While the District’s audited financial statements calculate actuarial accrued liability and certain other related data for post-employment benefits according to GASB 45 (see **“Notes to Financial Statements - Note 10”** in the District’s Basic Financial Statements as of June 30, 2008 in **“APPENDIX A”** for GASB 45 financial reporting of post employment benefit obligations of the District), there is no requirement that the District actually fund on this basis. The funding basis actually used by the

District is a rolling average of actuarially projected costs of paying benefits defined under its labor agreements, net of retiree contributions; on this basis of calculation, the District fully funds its obligation.

### **Comparative Financial Statements, *Unaudited Actuals* and Budget**

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2005/06 through fiscal year 2009/10. Under GASB 34, line item data presented in audited financial statements no longer is comparable with line item data presented in the operating and accounting systems used by California school districts as directed by the State Department of Education, including the annual *Unaudited Actuals* financial reports, budgets and interim reports prepared by the District and reported to the County Office. For comparability on the same basis of presentation in the following table, all data is as shown in the District's *Unaudited Actuals* financial reports to the County Office for the years 2005/06 through 2008/09, respectively, with the ending balance adjusted to conform with the audited financial report for the same year where necessary. The 2009/10 budgeted numbers are as shown in the *2008-2009 Unaudited Actuals*. The District has a parcel tax program, the revenues and expenditures of which for audit purposes are accounted for within the general fund by District auditors and are included in the table; see "**Parcel Taxes**" on the next page for further detail on District parcel taxes. See "**APPENDIX A**" for further detail on the composition of the June 30, 2008 ending balance.

The District's *Interim Reports* for 2008/09 are certified "positive" and its *2009-2010 Adopted Budget* was approved without exception by the County Office.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**General Fund Revenues, Expenditures and Fund Balance**

	<u>2005/06<sup>(a)</sup></u>	<u>2006/07<sup>(b)</sup></u>	<u>2007/08<sup>(c)</sup></u>	<u>2008/09<sup>(d)</sup></u>	Projected <u>2009/10<sup>(d)</sup></u>
<b>REVENUES</b>					
Revenue Limit Sources:					
State Apportionment	\$27,045,382	\$27,965,100	\$34,402,171	\$31,032,825	\$19,727,920
Local Sources	<u>91,368,591</u>	<u>105,131,311</u>	<u>111,513,257</u>	<u>117,358,407</u>	<u>119,047,607</u>
Total Revenue Limit Sources	118,413,973	133,096,411	145,915,428	148,391,233	138,775,527
Federal Revenues	3,983,604	3,869,943	4,322,744	13,552,898	10,951,909
Other State Revenues	20,772,877	28,264,716	39,438,417	39,049,921	36,855,841
Other Local Revenues	<u>28,815,926</u>	<u>31,756,421</u>	<u>22,861,361</u>	<u>24,155,787</u>	<u>23,392,724</u>
<b>TOTAL REVENUES</b>	171,986,381	196,987,491	212,537,950	225,149,838	209,976,001
<b>EXPENDITURES</b>					
Salaries:					
Certificated Salaries	85,232,462	97,675,952	105,318,125	108,528,176	107,901,661
Classified Salaries	25,361,726	29,472,782	32,374,756	33,252,425	33,330,956
Employee Benefits	31,021,010	34,642,082	39,053,040	41,733,300	42,276,894
Books and Supplies	7,404,316	9,884,415	8,765,088	8,525,455	7,870,655
Services and Other Operating Expenditures	16,299,531	18,129,486	20,730,199	21,253,751	21,110,392
Capital Outlay	1,047,363	989,459	716,836	417,199	290,754
Other Outgo	77,146	229,761	1,807,731	1,765,833	1,390,929
Direct Support and Indirect Costs	<u>(229,152)</u>	<u>(224,521)</u>	<u>(233,122)</u>	<u>(1,142)</u>	<u>(998)</u>
<b>TOTAL EXPENDITURES</b>	166,214,402	190,799,416	208,532,654	215,474,997	214,171,243
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	14,435	380,411	0	0	0
Operating Transfers Out	(1,432,774)	(1,697,795)	(1,506,772)	(2,594,103)	(1,350,000)
Other Sources (Uses)	<u>689,773</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(728,566)</u>	<u>(1,317,384)</u>	<u>(1,506,772)</u>	<u>(2,594,103)</u>	<u>(1,350,000)</u>
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>					
	5,043,413	4,870,692	2,498,524	7,080,738	(5,545,242)
<b>ADJUSTMENTS</b>	(291,843)	0	0	1	0
<b>FUND BALANCE JUNE 30 PRIOR YEAR</b>	<u>15,521,864</u>	<u>20,273,434</u>	<u>25,144,126</u>	<u>27,642,650</u>	<u>34,723,389</u>
<b>FUND BALANCE JUNE 30</b>	<u>\$20,273,434</u>	<u>\$25,144,126</u>	<u>\$27,642,650</u>	<u>\$34,723,389</u>	<u>\$29,178,147</u>

<sup>(a)</sup> District 2005/06 Un-Audited Actuals Financial Report, September 14, 2006. June 30, 2006 ending balance adjusted to agree with June 30, 2006 audited financial statements.

<sup>(b)</sup> District 2006/07 Un-Audited Actuals Financial Report, September 11, 2007. June 30, 2007 ending balance agrees with June 30, 2007 audited financial statements.

<sup>(c)</sup> District 2007/08 Un-Audited Actuals Financial Reports, September 9, 2008 agrees with June 30, 2008 audited financial statements. See APPENDIX A.

<sup>(d)</sup> District 2008/09 Un-Audited Actuals Financial Reports, September 8, 2009.

Sources: San Ramon Valley Unified School District

**Parcel Taxes**

In May, 2009, over two-thirds of the voters of the District approved a qualified special tax of not more than \$144.00 per parcel for seven years, ending June 30, 2016. An exemption is provided to parcels owned and occupied by taxpayers aged 65 and older, upon proper application. In 2008/09, the District received \$4,159,460

in parcel tax revenues, and expects to receive \$6,628,352 in 2009/10. Parcel tax revenue is accounted for as "Other Local Revenue" in the District's general fund. The qualified special tax measure dictates that the parcel tax revenue may be used to retain teachers and other employees, retain class size reduction and maintain music, library and counseling programs.

See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Articles XIII C and XIII D" regarding the potential impact of Article XIII C on the District's ability to levy and collect the parcel taxes.

**Audit**

Basic Financial Statements with Management's Discussion and Analysis and Independent Auditors Report and certain Supplementary Information for the year ended June 30, 2008 are included in **APPENDIX A** herein. The June 30, 2008 audited financial statements had an unqualified audit opinion and no findings. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors, Vavrinek, Trine, Day & Co., LLP, to review this Official Statement, nor have they done so.

**Other District Funds**

The District maintains certain segregated funds outside its general fund not pledged to the payment of the Notes. The Special Reserve Fund for Other Than Capital Outlay serves as the "reserve for economic uncertainty" mandated by the State and may be accessed for general fund purposes without restriction or pay back requirement (other than the requirement to budget sufficiently to meet the reserve for economic uncertainty requirement each year). Certain other District funds could, if need be and to the extent monies are available therein, be accessed on a temporary basis through District Board of Education action and must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances. Such funds with significant ending balances are the District's self-insurance, building, deferred maintenance and capital facilities funds, the unaudited and projected ending fund balances for which are shown below for fiscal years 2007/08 through 2009/10:

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Other District Funds**  
**Year End Fund Balance**

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	<u>Audited 2007/08</u>	<u>Unaudited 2008/09</u>	<u>Projected 2009/10</u>
Self-insurance	\$873,606	\$989,412	\$1,122,902
Building	65,489,486	56,923,824	26,973,673
Deferred Maintenance	1,302,444	2,292,368	1,963,938
Capital Facilities	6,112,736	5,901,661	5,539,510
Special Reserve for Other Than Capital Outlay	3,906,697	3,949,240	4,009,240

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Source: San Ramon Valley Unified School District.

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## **2009/10 Budget Assumptions**

The 2009/10 budget numbers shown herein in the comparative financial table above and the 2009/10 cash flows that follow are both based on the *2007/08 Un-Audited Actuals Financial Reports* of the District, which includes 2009/10 budget numbers, plus certain subsequent updates.

The largest part of school district general fund revenue is received from revenue limit sources. Each school district calculates its own revenue limit per unit of average daily attendance (“A.D.A.”) according to State formula. For a non Basic Aid District, the revenue limit defines the fixed amount of general purpose revenue a school district may receive from the combination of local property taxes (the district’s share of the basic one percent levy under Proposition XIII collected within the boundaries of the district) and State aid (an amount equal to the difference between the revenue limit and the amount of local property taxes received by the district). Changes in revenue limit income received from year to year is generally based on the cost of living adjustment (“COLA”) provided by the State and the year to year growth in A.D.A.

For 2009/10, the District projects that it will receive \$138,775,527 in revenue limit income, or approximately 66.1% of its general fund revenues. This amount represents a decrease of 6.5% from the \$148,391,233 that it received in 2008/09. This increase reflects no COLA, a revenue limit deficit of 17.967%, and K-12 revenue limit A.D.A. for funding after deficit factor decreasing to \$5,217.86 from \$5,621.23.

The largest part of each school district’s general fund expenditures are used to pay certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

For 2009/10, the District projects that it will expend \$183,509,511 in salaries and benefits, or approximately 85.1% of its general fund expenditures and transfers out. This amount represents a decrease of less than one tenth of a percent from the \$183,513,901 that it spent in 2008/09. This increase reflects increased staffing for class size reduction, step and column increases for certificated and classified employees and salary settlement with employees represented by the San Ramon Valley Federation of Teachers.

## **Cash Flows**

The District's general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts have followed an uneven pattern, primarily because property and parcel tax installment payment dates are in December and April. Because the District’s Special Reserve Fund for Other Than Capital Outlay serves to hold a portion of the State required “reserve for economic uncertainty”, the cash flows shown herein are combined General Fund and Special Reserve Fund for Other Than Capital Outlay. Other than some interest earnings, in 2006/07, its first year, and 2007/08, the Special Fund for Other Than Capital Outlay has been funded through transfers out from the General Fund, which transfers are not shown in this combined presentation.

Exhibit I on the next page shows fiscal year 2008/09 actual net cash receipts and disbursements through June 30, 2009. Exhibit II on the next page shows cash receipts and disbursements for fiscal year 2009/10 when the Notes will be outstanding; July and August numbers are actual, and the remaining months are projected. The 2009/10 monthly receipts and disbursements take the amount of expected receipt and payment of the Notes into consideration.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT  
 2009 TAX AND REVENUE ANTICIPATION NOTES  
 GENERAL FUND

EXHIBIT I  
 2008/2009 Cash Flows (Actual)

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING BALANCE	\$20,703,636	\$19,853,885	\$5,125,658	\$0	\$0	\$4,933,004	\$66,732,125	\$36,026,018	\$22,547,851	\$16,369,281	\$39,721,730	\$26,205,309	\$20,703,636
<b>RECEIPTS:</b>													
PROPERTY TAXES	0	0	355,178	3,369,751	0	56,410,680	0	563,979	0	48,558,860	0	8,138,067	117,396,515
STATE AID	324,720	3,822,104	4,164,392	1,458,753	2,303,709	2,301,844	53,541	0	5,638,377	2,930,762	2,935,468	39,309	25,972,979
OTHER RECEIPTS	7,239,099	5,055,052	9,107,298	15,900,056	3,919,456	9,909,580	5,329,551	4,070,517	6,215,203	8,841,067	2,250,199	14,830,020	92,667,098
NOTE PROCEEDS	0	0	0	0	25,473,655	0	0	0	0	0	0	0	25,473,655
TOTAL RECEIPTS	7,563,819	8,877,156	13,626,868	20,728,560	31,696,820	68,622,104	5,383,092	4,634,496	11,853,580	60,330,689	5,185,667	23,007,396	261,510,247
<b>DISBURSEMENTS:</b>													
SALARIES/BENEFITS	3,690,900	16,113,578	15,878,298	15,928,971	16,059,669	4,315,423	27,802,235	16,148,051	16,230,744	15,868,011	15,975,536	19,032,297	183,043,713
OTHER DISBURSEMENTS	4,722,670	7,491,805	2,874,228	4,799,589	10,704,147	2,507,560	2,036,964	1,964,612	1,801,406	2,360,229	1,916,309	8,539,229	51,718,748
NOTE PAYMENT PLEDGE	0	0	0	0	0	0	6,250,000	0	0	18,750,000	810,243	0	25,810,243
TOTAL DISBURSEMENTS	8,413,570	23,605,383	18,752,526	20,728,560	26,763,816	6,822,983	36,089,199	18,112,663	18,032,150	36,978,240	18,702,088	27,571,526	260,572,704
ENDING BALANCE	<u>\$19,853,885</u>	<u>\$5,125,658</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,933,004</u>	<u>\$66,732,125</u>	<u>\$36,026,018</u>	<u>\$22,547,851</u>	<u>\$16,369,281</u>	<u>\$39,721,730</u>	<u>\$26,205,309</u>	<u>\$21,641,179</u>	<u>\$21,641,179</u>

EXHIBIT II  
 2009/2010 Cash Flows (Projected)

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
BEGINNING BALANCE	\$21,641,179	\$28,423,899	\$10,495,578	(\$0)	(\$0)	\$4,582,390	\$67,467,261	\$41,958,901	\$31,879,481	\$19,163,019	\$39,731,793	\$20,840,957	\$21,641,179
<b>RECEIPTS:</b>													
PROPERTY TAXES	0	0	348,607	3,318,116	0	56,428,592	0	553,545	0	48,575,544	0	8,134,001	117,358,405
STATE AID	714,044	78,200	2,061,461	2,691,812	1,069,723	2,954,404	3,048,162	1,403,401	739,938	739,938	739,938	739,938	16,980,959
OTHER RECEIPTS	14,112,874	1,598,015	8,764,438	13,962,705	4,699,785	11,615,439	8,011,158	6,324,902	4,754,539	12,417,943	3,041,830	14,254,714	103,558,342
NOTE PROCEEDS	0	0	0	0	30,476,105	0	0	0	0	0	0	0	30,476,105
TOTAL RECEIPTS	14,826,918	1,676,215	11,174,506	19,972,633	36,245,613	70,998,435	11,059,320	8,281,848	5,494,477	61,733,425	3,781,768	23,128,653	268,373,811
<b>DISBURSEMENTS:</b>													
SALARIES/BENEFITS	3,940,681	16,194,808	15,989,107	16,196,062	16,222,514	5,719,541	27,030,591	16,439,632	16,439,632	16,325,913	18,833,784	16,503,839	185,836,104
OTHER DISBURSEMENTS	4,103,517	3,409,728	5,680,977	3,776,571	15,440,709	2,394,023	2,037,089	1,921,636	1,771,307	2,338,738	3,240,486	2,496,957	48,611,738
NOTE PAYMENT PLEDGE	0	0	0	0	0	0	7,500,000	0	0	22,500,000	598,333	0	30,598,333
TOTAL DISBURSEMENTS	8,044,198	19,604,536	21,670,084	19,972,633	31,663,223	8,113,564	36,567,680	18,361,268	18,210,939	41,164,651	22,672,603	19,000,796	265,046,175
ENDING BALANCE	<u>\$28,423,899</u>	<u>\$10,495,578</u>	<u>(\$0)</u>	<u>(\$0)</u>	<u>\$4,582,390</u>	<u>\$67,467,261</u>	<u>\$41,958,901</u>	<u>\$31,879,481</u>	<u>\$19,163,019</u>	<u>\$39,731,793</u>	<u>\$20,840,957</u>	<u>\$24,968,814</u>	<u>\$24,968,814</u>

## Note Net Coverage Ratio

Projected Unrestricted Moneys available as of June 30, 2010 in the District's General Fund and Special Reserve Fund for Other Than Capital Outlay for payment of the Notes, and the Note Net Coverage Ratio, are shown below; see also "THE NOTES — Security and Sources of Payment" herein.

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Projected Unrestricted Moneys and Note Net Coverage Ratio**  
**Fiscal Year 2008/09**

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<u>Source</u>	<u>Amount</u>
Cash Balance, July 1, 2009	\$21,641,179
Property Tax	117,358,405
State Aid	16,980,959
Other Receipts	103,558,342
Proceeds of the Notes	<u>30,476,105</u>
TOTAL UNRESTRICTED MONEYS	290,014,990
DISBURSEMENTS (Less Note Payments)	<u>(234,447,842)</u>
NET AVAILABLE FOR NOTE PAYMENT	<u>\$55,567,148</u>
PRINCIPAL PLUS INTEREST NEEDED	\$30,598,333
ESTIMATED NOTES COVERAGE RATIO	1.82 to one

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Source: San Ramon Valley Unified School District.

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## District Debt

### *Short-term Obligations*

On November 18, 2008, the District issued \$25,000,000 of its 2008 Tax and Revenue Anticipation Notes due November 17, 2009, payable from general fund revenues of the District allocable to fiscal year 2008/09. The principal and interest due on November 17, 2009 were set aside for the payment thereof prior to June 30, 2009.

*General Obligation Bonds*

As of June 30, 2009, the principal or denominational amounts of District general obligation bonds outstanding, all payable from *ad valorem* property taxes levied and collected within the District by the County, will be as follows:

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Outstanding General Obligation Bonds**  
**As of June 30, 2009**

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<u>Date of Issue</u>	<u>Series</u>	<u>Amount of Original Issue</u>	<u>Outstanding as of June 30, 2009</u>
July 9, 1998	General Obligation Bonds, Election of 1998, Series A	\$70,000,000.00	\$37,223,581.15
March 20, 2003	General Obligation Bonds, Election of 2002, Series 2003	72,000,000.00	61,725,000.00
October 28, 2004	General Obligation Bonds, Election of 2002, Series 2004	100,000,000.00	100,000,000.00
August 2, 2006	General Obligation Bonds, Election of 2002, Series 2006	88,000,000.00	<u>88,000,000.00</u>
			<u>\$286,948,581.15</u>

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As of June 30, 2009, the remaining debt service on District general obligation bonds outstanding, all payable from *ad valorem* property taxes levied and collected within the District by the County, will be as follows:

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**  
**Outstanding General Obligation Bond Remaining Debt Service**  
**As of June 30, 2009**

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<u>Fiscal Years</u>	<u>Principal or Denominational Amount</u>	<u>Interest</u>	<u>Total</u>
2009/10	\$4,665,235.95	\$15,102,979.05	\$19,768,215.00
2010/11	5,821,053.50	15,497,486.50	21,318,540.00
2011/12	6,949,039.60	15,747,050.40	22,696,090.00
2012/13	7,808,355.90	15,967,896.60	23,776,252.50
2013/14	9,016,630.50	16,128,028.25	25,144,658.75
2014/15 - 2018/19	68,318,265.70	80,837,665.55	149,155,931.25
2019/20 - 2023/24	82,175,000.00	36,854,900.00	119,029,900.00
2024/25 - 2028/29	81,445,000.00	15,201,815.00	96,646,815.00
2029/30 - 2031/32	<u>20,750,000.00</u>	<u>1,100,500.00</u>	<u>21,850,500.00</u>
	<u>\$286,948,581.15</u>	<u>\$212,438,321.35</u>	<u>\$499,386,902.50</u>

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See also “Notes to Financial Statements - Note 8” in the District’s Basic Financial Statements as of June 30, 2008 in “APPENDIX A” for further description of long-term obligations of the District.

## Availability of Documents

Additional public documents will be made available upon request through the Business Services Department of the District. Such public documents include periodic financial reports such as interim reports, approved budget and audited financial statements. See “**INTRODUCTION — Other Information**” herein for contact information

## DISTRICT TAX BASE INFORMATION

*This section presents certain information concerning the property tax base in the District. For general information on how ad valorem property tax is assessed, levied and collected, see “**AD VALOREM PROPERTY TAXATION**” herein.*

### Assessed Valuation

The following table represents the five-year history of assessed valuation in the District. See “**AD VALOREM PROPERTY TAXATION — Assessed Valuation**” herein for further information on assessed valuation.

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#### SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Assessed Valuation

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<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utilities</u>	<u>Unsecured</u>	<u>Total</u>
2005/06	\$27,477,540,099	\$488,365	\$447,158,445	\$27,925,186,909
2006/07	30,951,805,499	801,750	503,065,924	31,455,673,173
2007/08	33,490,205,068	488,449	537,016,253	34,027,709,770
2008/09	34,803,049,136	488,449	566,872,339	35,370,409,924
2009/10	34,185,996,848	488,449	556,694,131	34,743,179,428

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Source: California Municipal Statistics, Inc.

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## Secured Tax Charges and Delinquencies

The following table reflects the historical secured tax levy for bond debt service and year-end delinquencies for the District.

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### SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies

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<u>Fiscal Year</u>	<u>Secured Tax Charge<sup>(a)</sup></u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent June 30</u>
2003/04	\$274,728,841.14	\$2,753,472.87	1.00%
2004/05	305,290,015.80	2,916,621.47	0.96
2005/06	342,602,285.41	3,848,133.74	1.12
2006/07	385,789,755.66	6,994,145.87	1.81
2007/08	417,236,061.41	12,641,065.85	3.03

<sup>(a)</sup> All taxes collected by the County within the District.

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Source: California Municipal Statistics, Inc.

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Under the Teeter plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's general purpose secured property tax levy under the Teeter Plan, but *does not* include the *ad valorem* tax levy for the District's general obligation bonds. See "**AD VALOREM PROPERTY TAXATION — Teeter Plan**" herein.

## Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 16-002, within the District. See "**AD VALOREM PROPERTY TAXATION**" for further information on establishing tax rates.

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### SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Summary of Tax Rates TRA 16-002

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	<u>2005/06 Tax Rate</u>	<u>2006/07 Tax Rate</u>	<u>2007/08 Tax Rate</u>	<u>2008/09 Tax Rate</u>	<u>2009/10 Tax Rate</u>
County-wide Rate <sup>(a)</sup>	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit	0.0048	0.0050	0.0076	0.0090	0.0057
East Bay Regional Park	0.0057	0.0085	0.0080	0.0100	0.0108
San Ramon Valley Unified School District	0.0514	0.0533	0.0517	0.0519	0.0587
Contra Costa Community College District	<u>0.0047</u>	<u>0.0043</u>	<u>0.0108</u>	<u>0.0066</u>	<u>0.0126</u>
Total Tax Rates	<u>1.0666%</u>	<u>1.0711%</u>	<u>1.0781%</u>	<u>1.0775%</u>	<u>1.0878%</u>

<sup>(a)</sup> Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the Constitution.

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Source: California Municipal Statistics, Inc..

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## Largest Taxpayers

The twenty largest taxpayers in the District, as shown on the 2009/10 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below.

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### SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Largest Taxpayers

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<u>Property Owner</u>	<u>Product/Service</u>	<u>2009/10 Assessed Valuation</u>	<u>Percent of Total<sup>(a)</sup></u>
Shapell Industries Inc.	Residential Properties	\$ 568,802,905	1.66%
Chevron USA Inc.	Office Building	402,470,074	1.18
Sunset Land Company/Sunset Building Company LLC	Office Building	366,889,511	1.07
Essex Portfolio LP/Essex San Ramon Partners LP	Apartments	245,713,771	0.72
SDC 7	Office Building	155,235,950	0.45
Annabel Investment Co.	Office Building	102,661,624	0.30
Alexander Properties Co.	Office Building	93,125,412	0.27
Legacy III SR Crow Canyon LLC	Office Building	87,720,000	0.26
Wittschen Capital Resources LP	Shopping Center	72,571,591	0.21
San Ramon Regional Medical Center	Hospital	67,083,217	0.20
Centex Homes	Residential Properties	64,700,102	0.19
BRE Properties Inc.	Apartments	54,137,512	0.16
Lennar Homes of California Inc.	Residential Properties	51,021,713	0.15
Ardenwood Development Association	Residential Properties	50,863,824	0.15
Regency Centers LP	Shopping Center	50,663,855	0.15
Cedar Grove Apartments	Apartments	48,052,832	0.14
San Ramon Reflections LLC	Apartments	47,578,974	0.14
VIF & ZKS Norris Tech Center LLC	Industrial	47,462,523	0.14
WL Homes LLC / WL Homes Norris Canyon LLC	Residential Properties	46,973,657	0.14
230 Alamo Plaza Inc.	Shopping Center	<u>45,930,363</u>	<u>0.13</u>
<b>TOTAL</b>		<u><u>\$2,669,659,410</u></u>	<u><u>7.81%</u></u>

<sup>(a)</sup> 2009/10 Local Secured Assessed Valuation: \$34,176,245,890

Source: California Municipal Statistics, Inc.

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## 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 as of November 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 lists local agencies with territory overlapping, at least in part, that of the District. The second column shows the portion of each overlapping entity's debt assignable within the boundaries of the District, and the third column shows the amount of that portion of the overlapping entity's existing debt. The total amount of debt for each overlapping entity is not given. The Debt Report also shows, at the top, the gross assessed valuation, less any redevelopment agency tax increment and the resulting net assessed valuation after deducting redevelopment

agency tax increment. *Ad valorem* tax levy rates for paying general obligation bonds are determined on the basis of gross assessed valuation; allocation of the basic 1% *ad valorem* tax levy to taxing agencies within a county is determined on the basis of the net assessed valuation after deducting redevelopment agency tax increment.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT  
Statement of Direct and Overlapping Debt**

2009/10 Assessed Valuation:	\$34,723,671,229	
Redevelopment Incremental Valuation:	<u>1,177,290,302</u>	
Adjusted Assessed Valuation:	<u>\$33,546,380,927</u>	(preliminary)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Percent Applicable<sup>(a)</sup></u>	<u>Debt as of November 1, 2009</u>
Bay Area Rapid Transit District	7.758%	\$ 32,583,600
Chabot-Las Positas Community College District	0.472	2,184,898
Contra Costa Community College District	24.494	42,324,407
San Ramon Valley Unified School District	100	282,283,345 <sup>(b)</sup>
East Bay Regional Park District	11.437	11,535,358
Contra Costa County Community Facilities District No. 2001-1	100	6,335,000
Association of Bay Area Governments Community Facilities District No. 2004-2	100	27,995,000
Town of Danville 1915 Act Bonds	100	5,480,000
City of San Ramon 1915 Bonds	100	306,900
County and Special District 1915 Act Bonds (estimate)	2.781-100	<u>110,570,030</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>521,598,539</b>

<u>OVERLAPPING GENERAL FUND DEBT:</u>	<u>Percent Applicable<sup>(a)</sup></u>	<u>Debt as of November 1, 2009</u>
Contra Costa County General Fund Obligations	24.695	70,270,857
Contra Costa County Pension Obligations	24.695	114,944,112
Chabot-Las Positas Community College District Certificates of Participation	0.472	22,019
Contra Costa Community College District Certificates of Participation	24.494	257,187
Town of Danville Certificates of Participation	100	10,390,000
City of San Ramon Certificates of Participation	100	16,555,000
City of Walnut Creek General Fund Obligations	1.8	18,630
San Ramon Valley Fire Protection District Certificates of Participation	99.832	15,039,691
Contra Costa Fire Protection District Pension Obligations	0.368	<u>442,262</u>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b><u>\$227,939,758</u></b>

**COMBINED TOTAL DEBT** **\$749,538,297<sup>(c)</sup>**

<sup>(a)</sup> Based on 2008/09 ratios.

<sup>(b)</sup> Excludes tax and revenue anticipation notes to be sold.

<sup>(c)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009/10 Assessed Valuation:

Direct Debt (\$282,283,345) . . . . .	0.81%
Total Direct and Overlapping Tax and Assessment Debt . . . . .	1.50%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt . . . . .	2.23%
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STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc.

# ECONOMIC PROFILE

## Introduction

The County is located on the east side of the San Francisco Bay, north and east of Alameda County, extending north to Solano County and east to San Joaquin County in the Central Valley. Major cities include Martinez and Concord in the north, Walnut Creek in the center and San Ramon in the south. Dougherty Valley, within the District, located east of the City of San Ramon, is a major high growth residential development area within the County, with a population expected to grow to 29,000 by 2015. The District is also the location of a large corporate office park known as Bishop Ranch. In addition to providing local employment, the communities within the District in significant part serve as bedroom communities for commuting to employment throughout the County, Alameda County and the rest of the San Francisco Bay area.

## Population

The following table summarizes population figures for the City San Ramon, Town of Danville and for the County.

<b>CITY OF SAN RAMON, TOWN OF DANVILLE AND CONTRA COSTA COUNTY</b>			
<b>Population</b>			
Year	City of San Ramon	Town of Danville	Contra Costa County
2000	44,722	41,715	948,816
2001	45,880	42,700	966,095
2002	46,750	42,942	981,614
2003	46,940	43,105	993,766
2004	48,609	43,243	1,005,678
2005	50,672	42,975	1,016,407
2006	56,234	42,515	1,025,509
2007	59,501	42,447	1,035,322
2008	61,187	42,602	1,048,242
2009	63,176	43,043	1,060,435

Source: The 2000 totals are U.S. Census figures. For the years 2005 - 2009, State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark. Sacramento, California, May 2009.

## Employment

The following table summarizes employment and unemployment in the Oakland-Fremont-Hayward Metropolitan Division, which includes Contra Costa County.

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**OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Averages**

---

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Civilian Labor Force <sup>(a)</sup>					
Employment	1,182,700	1,188,000	1,202,500	1,213,000	1,215,500
Unemployment	<u>71,600</u>	<u>63,000</u>	<u>55,000</u>	<u>59,800</u>	<u>80,200</u>
Total	<u>1,254,300</u>	<u>1,251,000</u>	<u>1,257,500</u>	<u>1,272,800</u>	<u>1,295,700</u>
Unemployment Rate <sup>(b)</sup>	5.7%	5.0%	4.4%	4.8%	6.2%

<sup>(a)</sup> Based on place of residence; March 2008 Benchmark.

<sup>(b)</sup> The unemployment rate is calculated using unrounded data.

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Source: California Employment Development Department, Labor Market Information Division

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The following table summarizes the historical numbers of workers in the Oakland-Fremont-Hayward Metropolitan Division, by industry.

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**OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION**  
**Estimated Number of Wage and Salary Workers by Industry<sup>(a)</sup>**  
**(in thousands)**

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	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Agricultural	1,500	1,600	1,500	1,500	1,400
Natural Resources and Mining	1,200	1,100	1,200	1,200	1,200
Construction	69,800	72,800	73,500	72,400	64,600
Manufacturing	98,200	95,600	95,800	93,700	93,300
Trade, Transportation and Utilities	193,800	195,000	197,100	198,100	195,300
Information	31,300	30,700	30,100	29,400	27,800
Financial Activities	67,600	69,500	67,700	62,300	56,800
Professional and Business Services	147,700	150,600	154,900	155,500	161,400
Educational and Health Services	117,200	118,500	121,800	124,700	127,700
Leisure and Hospitality	80,600	83,000	85,600	87,500	89,100
Other Services	36,600	35,600	35,900	36,200	36,000
Government	<u>179,700</u>	<u>180,000</u>	<u>182,000</u>	<u>186,800</u>	<u>176,600</u>
<b>Total All Industries</b>	<u>1,025,200</u>	<u>1,033,700</u>	<u>1,046,900</u>	<u>1,049,100</u>	<u>1,031,200</u>

<sup>(a)</sup> The industry employment data are now based upon the North American Industry Classification System (NAICS). Newly released data are *not* comparable to the data based on the Standard Industrial Classification (SIC). Items may not add to totals due to independent rounding. March 2008 Benchmark.

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

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## Major Employers

The following table summarizes the major employers in the City:

<b>CITY OF SAN RAMON</b>		
<b>Major Employers</b>		
<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
AT&T Services Inc.	Voice telephone communications services	8,500
San Ramon Valley Unified Schldst	Elementary/Secondary School	3,000
Pacpizza LLC	Pizzeria Chain	3,600
Convenience Retailers LLC	Convenience Store	2,000
Chevron Corp	Petroleum refining; crude petroleum production; retail gasoline filling station; natural gas liquids production; gas & oil field exploration services	1,329
San Ramon Regional Medical Center	General Hospital	600
Irwin Home Equity Corp	Mortgage Banker/Correspondent	450
Keane International Inc	Custom computer programming service; software publisher	370
City of Hayward	Government	352
CMG Mortgage Inc	Loan Broker	349
Cabinda Gulf Oil Co Inc	Crude petroleum production	327
Hill Physicians Medical Group	Medical Doctor's Office Osteopathic Physician's Office	323
Old Republic Home Protection Co Inc	Surety Insurance Carrier	305
Bay Area Techworkers	Computer Related Consulting Srvcs	300
Home Depot USA Inc	Lumberother Bdg Mats	300
Sodexo Inc	Eating Place	300
ABM Janitorial Services - Northern California	Building Maintenance Services	267
City of Hayward	Government	352
Greystone Homes Inc	Single-Family House Construction	250
Target Corp	Department Store	240
Quality Assurance Engineering Inc	Testing Laboratory Commercial Physical Research	225
Airnex Communications Inc	Telephone Communications	200

Source: 2009 Harris InfoSource, "Selectory Database, A D&B Product" March 2009.

The following table summarizes the major employers in the Town of Danville:

**TOWN OF DANVILLE  
Major Employers**

<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
San Ramon Valley Unified Schldst	Education	3,000
Braddock & Logan Group LP	Operative Builders	629
Tenet Healthsystem Medical Inc	Medical Doctor's Office	500
Crow Canyon Management Corp	Membership Sports Club Public Golf Course Physical Fitness Facilty Ret Sport Goods/Bicycles Drinking Place	200
Blackhawk Country Club	Membership Sports Club Public Golf Course Eating Place	200
Costco Wholesale Corp	Ret Misc General Merchandise Whol Tires/Tubes Ret Drugs/Sundries	190
Safeway Inc	Ret Groceries Ret Drugs/Sundries Retail Bakery	170
CenCal Insurance Services Inc	Insurance Agent/Broker	170
Home For Jewish Parents	Individual/Family Services	160
Community Presbyterian Church of Danville	Religious Organization Child Day Care Services	120

Source: 2009 Harris InfoSource, "Selectory Database, A D&B Product" March 2009.

The following table summarizes the major employers in Contra Costa County.

**CONTRA COSTA COUNTY  
Major Employers**

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
AT&T Corp	Telephone communications	10,480
Contra Costa County Inc	County government	8,366
Summerville Management LLC	Skilled nursing care facility	4,000
Pacpizza LLC	Pizzeria chain	3,600
John Muir Physician Network	General hospital	3,550
Kaiser Foundation Hospitals Inc	General hospital	3,172
Contra Costa Community College District	Junior college	2,996
Mt Diablo Unified School District	Elementary/secondary school	2,704
Chevron Corp	Petroleum refining	2,008
Cellco Partnership	Wireless communications	1,650
California Department of Health Services	Public health programs administration services	1,646
West Contra Costa Unified School District	Elementary/secondary school	1,510
Contra Costa Newspapers Inc	Publishes & prints newspapers	1,290
Bio-RAD Laboratories Inc	Manufactures analytical instruments; manufactures diagnostic substances	1,275
Frances Mary Accessories Inc	Manufactures women's handbags	1,020
Doctor's Medical Center-San Pablo	General hospital	937
PG&E	Electric servicesBottom of Form	930
Shell Martinez Refining Co	Petroleum refining	900
Saint Mary's College of California	4 year college/university	900
Contra Costa County Office of Education	Schools, management services, job training & vocational rehabilitation services	850

Source: 2009 Harris InfoSource, "Selectory Database, A D&B Product" March 2009.

## Construction Activity

The following table summarizes historical residential building permit valuation for the City San Ramon and Town of Danville.

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**CITY OF SAN RAMON AND TOWN OF DANVILLE**  
**Residential Building Permit Valuation**  
**(Dollars in Thousands)**

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Year <sup>(a)</sup>	City of San Ramon		Town of Danville	
	Units <sup>(b)</sup>	Valuation <sup>(c)</sup>	Units <sup>(b)</sup>	Valuation <sup>(c)</sup>
2004	0	\$ 0	45	\$ 6,872,625
2005	33	7,894,006	46	7,736,148
2006	27	6,245,180	12	14,460,000
2007	76	40,564,939	75	21,648,836
2008	1	378,000	35	7,298,423

<sup>(a)</sup> As of January 1.

<sup>(b)</sup> Does not include alterations and additions.

<sup>(c)</sup> Includes all residential building activity.

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Source: U.S. Bureau of the Census.

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## Commercial Activity

The following table summarizes historical taxable transactions in the City of San Ramon and Town of Danville.

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**CITY OF SAN RAMON AND TOWN OF DANVILLE**  
**Taxable Transactions**  
**(Dollars in Thousands)**

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Year	City of San Ramon		Town of Danville	
	Outlets	Taxable Transactions	Outlets	Taxable Transactions
2003	1,420	\$652,307	1,394	\$351,488
2004	1,445	726,117	1,387	377,804
2005	1,498	714,542	1,312	392,383
2006	1,520	784,924	1,241	412,616
2007	1,517	79,997	1,229	426,618

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Source: State Board of Equalization.

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## Median Household Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes historical median household EBI, for the City of San Ramon, Town of Danville, County, State of California and United States of America.

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**CITY OF SAN RAMON, TOWN OF DANVILLE, CONTRA COSTA COUNTY,  
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA  
Median Household Effective Buying Income**

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<u>Year<sup>(a)</sup></u>	<u>City of San Ramon</u>	<u>Town of Danville</u>	<u>Contra Costa County</u>	<u>State of California</u>	<u>United States of America</u>
2004	N/A	N/A	\$54,862	\$42,924	\$38,201
2005	N/A	N/A	56,165	43,915	39,324
2006			Data Not Available		
2007			Data Not Available		
2008	\$87,497	\$99,987	61,123	48,203	41,792

<sup>(a)</sup> As of January 1.

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Source: "Survey of Buying Power", *Sales and Marketing Management Magazine*.

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## LEGAL MATTERS

### Tax Matters

In the opinion of Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes.

Purchasers should be aware that the Internal Revenue Service has issued Notice 94-84 which may have federal income tax consequences with respect to the Notes. This Notice provides generally that, in the case of short-term tax-exempt obligations (such as the Notes), the Service is studying whether interest payable at maturity on the obligations should, or should not, be included in stated redemption price at maturity, for purposes of the rule that original issue discount represents the excess of stated redemption price at maturity over issue price.

Notice 94-84 states that until the Internal Revenue Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includable in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than 1 year from the date of issue.

Purchasers of the Notes are cautioned that the opinion of Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income tax purposes.

Purchasers of the Notes should consult their tax advisors regarding effects of Notice 94-84 upon individual tax circumstances.

Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Notes other than as expressly described above.

### **Legality for Investment in California**

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

### **No Litigation**

No litigation is pending or threatened against the District concerning the validity of the Notes of the District and a certificate of the District to that effect will be available at the time of original delivery of the Notes. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to collect or receive the Pledged Revenues, or contesting its ability to pay the principal of and interest on the Notes.

There may be one or more lawsuits and claims pending against the District. The aggregate amount of the uninsured liabilities of the District, and the timing of any anticipated payments of judgments which may result from suits and claims will not materially affect the finances of the District or impair its ability to repay the Notes. A certificate of the District to this effect will be available at the time of original delivery of the Notes.

### **Legal Opinion**

The opinion of Bond Counsel approving the validity of the Notes and stating that, in the opinion of Bond Counsel, interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxation by the State will be provided free of charge to the purchasers at the time of the original delivery of the Notes. See “**APPENDIX B — Form of Legal Opinion**”.

## MISCELLANEOUS

### Ratings

Standard and Poor's Ratings Service has assigned its municipal note rating of "SP-1+" to the Notes. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's Ratings Services, 55 Water Street, 38th Floor, New York, NY 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that a rating assigned will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect of the market price of the Notes.

### Financial Advisor

The District has entered into an agreement with the Financial Advisor, whereunder the Financial Advisor provides financial advisory services to the District with respect to preparation and sale of the Notes. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

The District has authorized Zions First National Bank ("Zions") to submit a bid for purchase of the Notes and to acquire or participate in the purchase of the Notes. Zions, in its sole discretion, may or may not elect to submit or participate in a bid to purchase the Notes. The Financial Advisor is a division of Zions.

### Underwriting

Pursuant to the terms of a public bid dated November 4, 2009, Citigroup Global Markets Inc., as Underwriter, has agreed to purchase the Notes from the County on behalf of the District at the purchase price of \$30,476,105.00. The Underwriter has represented to the District that the Notes were reoffered to the public at the yield set forth on the cover page of this Official Statement, at an aggregate reoffering price of \$30,476,700.00. The Underwriter will be obligated to take and pay for all of the Notes, if any Note is purchased.

### Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of its 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 the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the notices of material events is set forth in **APPENDIX C — Form of Continuing Disclosure Certificate**. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The District has not failed

to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

**Additional Information**

The purpose of this Official Statement is to furnish information in connection with the sale of the Notes. Quotations from and summaries and explanations of the Notes, the Resolution, and the constitutional provisions, statutes, and other documents contained herein do not purport to be complete, and reference is hereby made to said Notes, Resolution, constitutional provisions, statutes, and other documents for full and complete statements of their provisions.

All data contained herein have been taken or constructed from the District's records and other sources. This Official Statement and its distribution have been duly authorized and approved by the District.

**SAN RAMON UNIFIED SCHOOL DISTRICT**

By /s/ Steven Enoch  
Superintendent

**APPENDIX A**

**BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008, WITH  
MANAGEMENT'S DISCUSSION AND ANALYSIS, INDEPENDENT AUDITOR'S  
LETTER  
AND CERTAIN SUPPLEMENTARY INFORMATION FOR  
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

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***FINANCIAL SECTION***

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Governing Board  
San Ramon Valley Unified School District  
Danville, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Ramon Valley Unified School District (the "District") as of and for the 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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 and 43 for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

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

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
December 1, 2008

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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This section of San Ramon Valley Unified School District's 2008 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 District's financial statements, which immediately follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **The Financial Statements**

The financial statements presented herein include all of the activities of the San Ramon Valley Unified School District (the District) units using the integrated approach as prescribed by GASB Statement Number 34.

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

The *Fund Financial Statements* include statements for two of the three categories of activities: governmental and fiduciary. The District does not have any business type activities.

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

The *Fiduciary Activities* include the retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust uses the current financial resources measurement focus.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The primary unit of the government is the San Ramon Valley Unified School District. The District also has two blended component units, the San Ramon Valley Unified School District Financing Corporation and the San Ramon Valley Unified School District Educational Facilities Corporation. Both corporations are inactive and have no assets or liabilities.

### **REPORTING THE DISTRICT AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities and Changes in Net Assets**

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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

In the *Statement of Net Assets* and the *Statement of Activities*, we report the District activities as follows:

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

### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

#### **Fund Financial Statements**

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

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

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### THE DISTRICT AS TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

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

### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### Net Assets

The District's net assets were \$699,046,743 and \$569,004,460 for the fiscal years ended 2008, and 2007, respectively. Of this amount, \$20,762,195 and \$20,320,261 was unrestricted for the fiscal years ended 2008, and 2007. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

	Governmental Activities	
	2008	2007
Current and other assets	\$ 134,119,030	\$ 193,222,415
Capital assets	924,357,070	748,853,957
Total Assets	1,058,476,100	942,076,372
Current liabilities	23,430,293	35,969,912
Long-term debt	335,999,064	337,102,000
Total Liabilities	359,429,357	373,071,912
Net assets		
Invested in capital assets, net of related debt	650,937,621	519,677,902
Restricted	27,346,927	29,006,297
Unrestricted	20,762,195	20,320,261
Total Net Assets	\$ 699,046,743	\$ 569,004,460

The \$20,762,195 unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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**Statement of Activities**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on Page 14. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Revenues		
Program revenues		
Charges for services	\$ 6,208,386	\$ 5,782,903
Operating grants and contributions	32,452,568	30,612,487
Capital grants and contributions	5,376,296	147,048,483
General revenues:		
Federal and State aid not restricted	45,653,265	39,119,299
Property taxes	137,022,638	129,813,256
Other general revenues	169,498,986	64,683,576
Total Revenues	<u>\$ 396,212,139</u>	<u>\$ 417,060,004</u>
Expenses		
Instruction related	\$ 191,171,327	\$ 169,507,506
Student support services	16,510,825	14,742,365
Administration	10,773,875	12,111,190
Maintenance and operations	24,594,124	22,745,631
Other	23,119,705	16,923,742
Total Expenses	<u>266,169,856</u>	<u>236,030,434</u>
Change in Net Assets	<u>\$ 130,042,283</u>	<u>\$ 181,029,570</u>

**Governmental Activities**

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year were \$266,169,856 and \$236,030,434 for the fiscal years ended 2008 and 2007 respectively. The cost paid by those who benefited from the programs was \$6,208,386 and \$5,782,903 respectively. Operating and Capital grants and contributions subsidized certain programs in the amount of \$37,828,864 and \$177,660,970 respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$137,022,638 and \$129,813,256 in taxes, unrestricted Federal and State aid of \$45,653,265 and \$39,119,299 and other revenues of \$169,498,986 and \$64,683,576 for the fiscal years ended 2008 and 2007, respectively.

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's 5 largest functions - Instruction related, Student support services, Administration, Maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	<b>Net Cost of Services</b>	
	<b>2008</b>	<b>2007</b>
Instruction Related	\$ 158,044,210	\$ (4,973,891)
Student Support services	8,511,808	7,484,031
Administration	10,098,671	11,608,847
Maintenance and operations	23,417,050	21,588,213
Other	22,060,867	16,879,361
Net Cost	<u>\$ 222,132,606</u>	<u>\$ 52,586,561</u>

### **THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$119,048,731, which is a decrease of \$47,872,133 from the prior year.

The primary changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased approximately \$2,499,000 due to the holding of reserves for the opening of new schools, board designations and categorical funds received late in the year with little opportunity for expenditure.
- b. Our Special Revenue Funds increased approximately \$382,000. This was primarily the result of a \$206,000 increase in the Deferred Maintenance Fund due to a deferral of projects and \$173,000 of interest earnings in the Special Reserve Fund.
- c. The Debt Service Funds showed a decrease of approximately \$2,294,000. The balance in the Bond Interest and Redemption Fund decreased due to an increase in the debt service costs in the current year.
- d. The Capital Projects Funds decreased approximately \$48,459,000. This was due to decreases in the Building and County School Facilities Funds because of building projects.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 23, 2008. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 52).

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

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The District originally projected a decrease in general fund net assets of \$248,000. This was later revised to a decrease of \$6,043,000. Total revenues were revised to include revenues not anticipated at the time of the original budget adoption. Likewise, with the increase in anticipated revenues, the expenditures were also increased. In comparing the revised budget to the actual results, excluding on-behalf payment, revenue came in \$299,000 less and expenditures were \$9,110,000 less than anticipated. This resulted in an \$8,542,000 increase in ending fund balance. This was primarily due to grant funds not being expended during the year. These funds will be carried over to the next fiscal year.

### **CAPITAL ASSET & DEBT ADMINISTRATION**

#### **Capital Assets**

The District had \$924,357,070 and \$748,853,957 net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, and furniture and equipment for the fiscal years ended 2008 and 2007. The current amount represents a net increase (including additions, deductions and depreciation) of \$175,503,113 or 23 percent compared to the prior year.

**Table 4**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 281,423,892	\$ 281,423,892
Land Improvements	20,369,071	14,776,686
Buildings & improvements	533,719,510	309,937,103
Equipment	5,496,572	4,899,071
Construction in progress	83,348,025	137,817,205
Totals	<u>\$ 924,357,070</u>	<u>\$ 748,853,957</u>

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

This years major additions to buildings and site improvements:

	<u>2008</u>	<u>2007</u>
Golden View Modernization	\$ 57,813	\$ -
Montevideo Modemization	226,823	-
Rancho Romero Computer Lab	91,411	-
Sycamore Computer Lab	45,273	-
Vista Grande Technology Lab	199,356	-
Live Oak School	24,882,665	-
Stone Valley Technology Lab	14,440	-
Diablo Vista Gym	6,253,416	-
Diablo Vista classroom conversion	225,091	-
Charlotte Wood Technology Lab	42,662	-
Windemere Ranch 8 additional classrooms	5,605,239	-
California High School modernization	1,582,196	-
California High School Career Tech Lab	302,298	-
California High School Snack Shack	11,233	-
Monte Vista Expansion	15,447,479	-
Dougherty Valley High School	161,251,414	-
San Ramon High School Expansion	20,077,457	-
San Ramon High Miscellaneous Projects	524,261	-
Venture School	5,077,522	-
Quail Run School	-	25,525,805
Monte Vista Stadium	-	471,195
John Baldwin School	-	15,133,294
Bollinger Canyon School	-	15,009,109
Greenbrook School	-	16,696,218
Tassajara Expansion	-	523,670
Vista Grande Expansion	-	9,681,126
Cal High Classrooms, Library & Technology	-	29,806,574
San Ramon High Commons	-	12,186,008
San Ramon High Music Bldg.	-	1,269,377
Windemere Ranch Middle School	-	2,948,041
Monte Vista High Parking Lot	-	2,621,720
Twin Creeks Modemization	-	24,274
Diablo Vista Fields	-	14,448
Green Valley HVAC	-	230,512
Los Cerros Parking Lot	-	377,471
Stone Valley Modemization	-	31,324
Dougherty Valley High Land Improvements	-	1,448,266
Iron Horse Technology	-	38,038
Los Cerros Technology	-	6,864
Monte Vista Technology	-	32,543
Totals	<u>\$ 241,918,049</u>	<u>\$ 134,075,877</u>

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

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A number of capital projects are planned for the 2008-09 year. We anticipate capital additions to be approximately \$2.6 million for the 2008-09 year (See page 51). We present more detailed information about our capital assets in Note 4 to the financial statements.

### Long-Term Obligations

At the end of this year, the District had \$341,862,876 in long-term obligations versus \$344,975,420 last year, a decrease of 1 percent. This debt consisted of:

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 327,038,502	\$ 330,214,969
Capitalized lease obligations	1,622,768	2,172,320
Net OPEB Obligation	970,996	-
Other	12,230,610	12,588,131
Totals	<u>\$ 341,862,876</u>	<u>\$ 344,975,420</u>

The District's general obligation bond rating continues to be Standard & Poor's: "AAA." The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$327,038,502 is significantly below this \$845 million statutorily - imposed limit.

Other obligations include compensated absences payable, and bond premiums. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-08 ARE NOTED BELOW:***

This was the fourth year the District used funds from the parcel tax passed in 2003-04. The parcel tax provides funding for class size reduction, music, library and counseling programs. The parcel tax will continue for one additional year.

A \$260 million facilities bond measure known as Measure A was approved by the voters in November 2002. The first series of bonds for \$72 million was issued in March 2003. In October of 2004, the second series for \$100 million was issued. In July, 2006, the third and final series for \$88,000,000 was issued. This will allow the district's school modernization and/or expansion projects to continue.

The District opened two new schools in 2007-08. Live Oak Elementary became the District's 20<sup>th</sup> elementary school. Dougherty Valley High School opened with freshmen and sophomores and became the District's fourth comprehensive high school.

The District continued to experience rapid growth in the student population. The October 2007 CBEDS count was 25,919 students. This is an increase of 1,252 students over October 2006 CBEDS.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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

In considering the District Budget for the 2008-09 year, the District Board and management used the following criteria:

The key assumptions in our revenue projections are:

- A 5.66% Cost of Living Adjustment with a deficit factor of 5.357% essentially providing a zero increase in revenue limit funding per ADA.
- Student enrollment growth will approximate 2%, or about 522 students over 2007-08 CBEDS enrollment.
- The parcel tax will pay for class size reduction, music, librarians and counselors. The District will contribute \$1.2 million to cover the additional cost of these programs. The increased cost is due to the State 6.5% reduction in funding for K3 CSR and 9<sup>th</sup> Grade CSR.
- Certificated and Classified positions will be added for growth to bring staffing to the appropriate allocations per the staffing formulas.
- State categorical programs will be budgeted according to the Governor's May Budget Revision which includes a 6.5% reduction in most programs.

Certificated staffing expenditures are based on the following forecasts which exclude SDC classes, Del Amigo Continuation School and Venture Independent Study:

	<b>Staffing Ratio</b>	<b>Enrollment</b>
Grades kindergarten through third	20: 1	7,919
Grades four and five	30: 1	3,970
Grades six through eight	29: 1	5,963
Grades nine through twelve	28: 1	7,636

The key assumptions in our expenditure forecast are:

1. Teacher staffing will be provided at the above ratios
2. Health benefit rates will increase approximately 12% in December for the Kaiser Plan
3. Property and liability insurance rates will increase 20%
4. Maintaining the Routine Restricted Maintenance Program budget at 3% of General Fund expenditures
5. Maintaining a 3% Reserve for Economic Uncertainties.
6. Budget reductions of approximately \$3 million will be made.

### *CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT*

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at San Ramon Valley Unified School District, 699 Old Orchard Drive, Danville, California, 94526, or e-mail [pperry@srvusd.net](mailto:pperry@srvusd.net).

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 109,479,487
Receivables	20,138,172
Prepaid expenses	130,768
Deferred charges	3,998,565
Stores inventories	372,038
Capital assets not depreciated	364,771,917
Capital assets, net of accumulated depreciation	559,585,153
<b>Total Assets</b>	<b>1,058,476,100</b>
<b>LIABILITIES</b>	
Overdrafts	447,739
Accounts payable	9,424,256
Interest payable	7,615,992
Deferred revenue	78,494
Current portion of long-term obligations	5,863,812
Noncurrent portion of long-term obligations	335,999,064
<b>Total Liabilities</b>	<b>359,429,357</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	650,937,621
Restricted for:	
Educational programs	8,189,859
Debt service	6,899,702
Capital projects	6,112,737
Other activities	6,144,629
Unrestricted	20,762,195
<b>Total Net Assets</b>	<b>\$ 699,046,743</b>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 164,356,271	\$ 1,576,017	\$ 22,000,650	\$ 5,376,296	\$ (135,403,308)
Instruction-related activities:					
Supervision of instruction	6,443,905	58,556	3,123,666	-	(3,261,683)
Instructional library, media, and technology	3,299,506	2,190	843,927	-	(2,453,389)
School site administration	17,071,645	465	145,350	-	(16,925,830)
Pupil services:					
Home-to-school transportation	2,921,103	129,480	647,605	-	(2,144,018)
Food services	4,852,071	4,183,961	355,692	-	(312,418)
All other pupil services	8,737,651	16,827	2,665,452	-	(6,055,372)
General administration:					
Data processing	2,100,199	13,291	77,026	-	(2,009,882)
All other general administration	8,673,676	195,150	389,737	-	(8,088,789)
Plant services	24,594,124	8,665	1,168,409	-	(23,417,050)
Ancillary services	2,710,667	-	-	-	(2,710,667)
Community services	321,692	-	-	-	(321,692)
Enterprise services	363,872	-	-	-	(363,872)
Interest on long-term obligations	18,265,517	-	-	-	(18,265,517)
Other outgo	1,457,957	23,784	1,035,054	-	(399,119)
<b>Total Governmental-Type Activities</b>	<b>\$ 266,169,856</b>	<b>\$ 6,208,386</b>	<b>\$ 32,452,568</b>	<b>\$ 5,376,296</b>	<b>(222,132,606)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					113,475,763
Property taxes, levied for debt service					18,826,749
Taxes levied for other specific purposes					4,720,126
Federal and State aid not restricted to specific purposes					45,653,265
Interest and investment earnings					4,979,325
Interagency revenues					39,300
Miscellaneous					164,480,361
					<b>Subtotal, General Revenues</b>
					352,174,889
<b>Change in Net Assets</b>					130,042,283
Net Assets - Beginning					569,004,460
Net Assets - Ending					<b>\$ 699,046,743</b>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Deposits and investments	\$ 17,436,162	\$ 64,323,697	\$ 14,469,432	\$ 12,415,842	\$ 108,645,133
Receivables	14,605,074	4,195,896	46,289	497,187	19,344,446
Due from other funds	327,759	1,612,252	-	472,543	2,412,554
Prepaid expenditures	124,198	-	-	6,570	130,768
Stores inventories	340,433	-	-	31,605	372,038
<b>Total Assets</b>	<b>\$ 32,833,626</b>	<b>\$ 70,131,845</b>	<b>\$ 14,515,721</b>	<b>\$ 13,423,747</b>	<b>\$ 130,904,939</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Overdrafts	\$ -	\$ -	\$ -	\$ 447,739	\$ 447,739
Accounts payable	3,756,957	4,519,772	27	586,047	8,862,803
Due to other funds	1,355,525	122,586	-	989,061	2,467,172
Deferred revenue	78,494	-	-	-	78,494
<b>Total Liabilities</b>	<b>5,190,976</b>	<b>4,642,358</b>	<b>27</b>	<b>2,022,847</b>	<b>11,856,208</b>
<b>Fund Balances:</b>					
Reserved for:					
Legally restricted balances	8,189,859	-	-	-	8,189,859
Other reservations	525,631	-	-	38,174	563,805
Unreserved:					
Designated	18,806,362	506,528	-	-	19,312,890
Undesignated, reported in:					
General Fund	120,798	-	-	-	120,798
Special revenue funds	-	-	-	5,256,559	5,256,559
Debt service funds	-	-	14,515,694	-	14,515,694
Capital projects funds	-	64,982,959	-	6,106,167	71,089,126
<b>Total Fund Balance</b>	<b>27,642,650</b>	<b>65,489,487</b>	<b>14,515,694</b>	<b>11,400,900</b>	<b>119,048,731</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,833,626</b>	<b>\$ 70,131,845</b>	<b>\$ 14,515,721</b>	<b>\$ 13,423,747</b>	<b>\$ 130,904,939</b>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 119,048,731</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,059,320,345	
Accumulated depreciation is	<u>(134,980,415)</u>	
Net Capital Assets		924,339,930
Special education settlement receivable not available soon enough to pay for the current period's expenditures, and therefore, are not recorded in the governmental funds.		264,779
Expenditures relating to debt issuance costs were recorded as deferred charges expenditures and amortized over the life of the bonds in the government-wide statements, but are expensed in the year debt is issued on the governmental fund statements.		3,998,565
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(7,615,992)
An internal service fund is used by the District's management to charge the costs of the health and welfare and property and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		873,606
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
Bonds payable	327,038,502	
Bond premiums/discounts, net of amortization	10,247,667	
Capital leases payable	1,622,767	
Compensated absences (vacations)	1,982,944	
Net OPEB obligation	<u>970,996</u>	
Total Long-Term Obligations		<u>(341,862,876)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 699,046,743</u></b>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue limit sources	\$ 145,915,429	\$ -	\$ -	\$ 43,298	\$ 145,958,727
Federal sources	4,322,744	-	-	359,139	4,681,883
Other state sources	43,932,131	-	129,233	6,287,050	50,348,414
Other local sources	22,861,361	15,776,947	19,002,654	6,583,917	64,224,879
<b>Total Revenues</b>	<u>217,031,665</u>	<u>15,776,947</u>	<u>19,131,887</u>	<u>13,273,404</u>	<u>265,213,903</u>
<b>EXPENDITURES</b>					
Current					
Instruction	138,822,975	-	-	22,320	138,845,295
Instruction-related activities:					
Supervision of instruction	6,434,860	-	-	-	6,434,860
Instructional library, media and technology	2,887,965	-	-	-	2,887,965
School site administration	16,542,878	-	-	-	16,542,878
Pupil services:					
Home-to-school transportation	2,925,511	-	-	-	2,925,511
Food services	-	-	-	4,813,247	4,813,247
All other pupil services	8,685,938	-	-	-	8,685,938
General administration:					
Data processing	2,152,656	-	-	-	2,152,656
All other general administration	8,414,064	-	-	233,121	8,647,185
Plant services	21,444,912	554,369	-	2,267,141	24,266,422
Facility acquisition and construction	7,015	66,954,360	-	3,212,443	70,173,818
Ancillary services	2,579,025	-	-	-	2,579,025
Community services	320,839	-	-	-	320,839
Other outgo	1,607,957	-	-	-	1,607,957
Debt service					
Principal	177,533	372,019	6,821,574	-	7,371,126
Interest	22,241	54,807	14,604,266	-	14,681,314
<b>Total Expenditures</b>	<u>213,026,369</u>	<u>67,935,555</u>	<u>21,425,840</u>	<u>10,548,272</u>	<u>312,936,036</u>
<b>Excess (Deficiency) of</b>					
<b>Revenues Over Expenditures</b>	<u>4,005,296</u>	<u>(52,158,608)</u>	<u>(2,293,953)</u>	<u>2,725,132</u>	<u>(47,722,133)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	3,686,897	-	1,356,772	5,043,669
Transfers out	(1,506,772)	-	-	(3,686,897)	(5,193,669)
<b>Net Financing Sources (Uses)</b>	<u>(1,506,772)</u>	<u>3,686,897</u>	<u>-</u>	<u>(2,330,125)</u>	<u>(150,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,498,524	(48,471,711)	(2,293,953)	395,007	(47,872,133)
<b>Fund Balance - Beginning</b>	25,144,126	113,961,198	16,809,647	11,005,893	166,920,864
<b>Fund Balance - Ending</b>	<u>\$ 27,642,650</u>	<u>\$ 65,489,487</u>	<u>\$ 14,515,694</u>	<u>\$ 11,400,900</u>	<u>\$ 119,048,731</u>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>		\$ (47,872,133)
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because :</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation expense	\$ (21,776,888)	
Capital outlays	<u>66,091,662</u>	
Net Expense Adjustment		44,314,774
In the governmental funds, revenue received from long-term receivables are recorded in the year received. These amounts reduce the long-term receivables in the year received on the statement of net assets and does not affect the statement of activities.		(87,997)
In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as an increase to capital assets at the fair market value on the date of donation.		131,196,471
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(5,870)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned.		(144,777)
Payment of bond issuance costs is an expenditure in the governmental funds, but it is recorded as a deferred charge and amortized on the statement of net assets over the life of the bonds.		(135,584)

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008**

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Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.	7,371,126
Amortization of discounts on bonds are expenditures in the governmental funds, but increase the liability in the statement of net assets and are amortized over the life of the bond in the statement of activities.	502,297
Interest on long-term obligation is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(3,950,917)
In the statement of activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.	(970,996)
An internal service fund is used by the District's management to charge the costs of the health and welfare and the property insurance program to the individual individual funds. The net loss of the internal service fund is reported with governmental activities.	(174,111)
<b>Change in Net Assets of Governmental Activities</b>	<u><b>\$ 130,042,283</b></u>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 834,354
Receivables	477,702
Due from other funds	20,424
<b>Total Current Assets</b>	<u>1,332,480</u>
<b>Noncurrent Assets</b>	
Furniture and equipment (net)	17,140
<b>Total Assets</b>	<u>1,349,620</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	87,893
Due to other funds	4,420
Claim liabilities	383,701
<b>Total Current Liabilities</b>	<u>476,014</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	17,140
Unrestricted	856,466
<b>Total Net Assets</b>	<u>\$ 873,606</u>

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
In District premiums	\$ 2,955,451
Other local sources	775,240
<b>Total Operating Revenues</b>	<u>3,730,691</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	2,923,169
Supplies and materials	33,077
Facility rental	1,370
Other operating cost	1,136,948
<b>Total Operating Expenses</b>	<u>4,094,564</u>
<b>Operating Loss</b>	<u>(363,873)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	39,762
Transfers in	150,000
<b>Total Nonoperating Revenues</b>	<u>189,762</u>
<b>Change in Net Assets</b>	(174,111)
<b>Total Net Assets - Beginning</b>	<u>1,047,717</u>
<b>Total Net Assets - Ending</b>	<u>\$ 873,606</u>

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



**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<b>Retiree Benefits Trust</b>	<b>Agency Funds</b>	
		<b>Warrant Clearing</b>	<b>ASB Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 9,969,865	\$ 10,442,739	\$ 2,298,477
Receivables	-	438,982	-
Due from other funds	87,624	2,235	-
<b>Total Assets</b>	<b>\$ 10,057,489</b>	<b>\$ 10,883,956</b>	<b>\$ 2,298,477</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 287	\$ -	\$ -
Due to student groups	-	-	2,298,477
Due to other funds	-	51,245	-
Due to others	-	10,832,711	-
<b>Total Liabilities</b>	<b>287</b>	<b>\$ 10,883,956</b>	<b>\$ 2,298,477</b>
<b>NET ASSETS</b>			
Unrestricted	<u>10,057,202</u>		
<b>Total Net Assets</b>	<b>\$ 10,057,202</b>		

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	<b>Retiree Benefits Trust</b>
<b>ADDITIONS</b>	
District contributions	\$ 2,750,838
Interest	382,171
<b>Total Additions</b>	<u>3,133,009</u>
<b>DEDUCTIONS</b>	
Other expenditures	<u>2,009,990</u>
<b>Change in Net Assets</b>	1,123,019
<b>Net Assets - Beginning</b>	<u>8,934,183</u>
<b>Net Assets - Ending</b>	<u>\$ 10,057,202</u>

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The San Ramon Valley Unified School District was organized on July 1, 1965 under the laws of the State of California. The District operates under a locally elected five member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 20 elementary, seven middle, four high schools, a continuation school, an independent study school.

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

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has two component units: the San Ramon Valley Unified School District Educational Facilities Corporation and the San Ramon Valley Unified School District Financing Corporation. They are not presented in the financial statements as there are no activities and they are inactive.

#### Other Related Entities

**Public Entity Risk Pools and Joint Powers Authorities** The District is associated with two public entity risk pools and one joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

The Contra Costa County School Insurance Group  
Northern California Regional Excess Liability Fund  
School Excess Liability Fund

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* sections 15125-15262).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Adult Education Fund** The Adult Education Fund is used to account separately for federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* sections 38091 and 38100).

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

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

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

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of facilities (Education Code Sections 17010.10-17076.10).

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

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates two self insurance programs that are accounted for in an internal service fund.

**Fiduciary Funds** The fiduciary funds category is split into two classifications: Trust funds and Agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is the retiree benefit trust. The District's agency fund accounts for student body activities (ASB) and the warrant clearing fund.

### **Basis of Accounting - Measurement Focus**

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

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

**Fiduciary Funds** The Fiduciary Activities are retiree benefits trust fund and agency funds. The agency funds report a balance sheet and do not have a measurement focus. The retiree benefit trust uses the current financial resources measurement focus.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Restricted Assets**

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### **Prepaid Expenditures**

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

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 10 to 50 years; improvements/infrastructure, 11 to 36 years; equipment, 2 to 20 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

### **Compensated Absences**

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Deferred Issuance Costs, Premiums and Discounts**

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

### **Fund Balance Reserves and Designations**

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

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

### **Net Assets**

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Operating Revenues and Expenses

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

### Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1<sup>st</sup> of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Changes in Accounting Principles

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

This Statement provided for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008. The District had an annual required contribution of \$3,721,834 for the year ended June 30, 2008, and made a contribution of \$2,750,838 resulting in an OPEB obligation of \$970,996.

In July 2004, GASB issued GASBS Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008.

### New Accounting Pronouncements

In May 2007, GASB issued GASBS Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged. Adoption of this statement is not expected to materially impact the District's financial statements.

In June 2007, GASB issued GASBS Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Adoption of this statement is not expected to materially impact the District's financial statements.

In November 2007, GASB issued GASBS Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. Adoption of this statement is not expected to materially impact the District's financial statements.

In June 2008, GASB issued GASBS Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments-financial arrangements used by governments to manage specific risks or make investments-in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. Adoption of this statement is not expected to materially impact the District's financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 108,645,133	
Less Overdraft	<u>(447,739)</u>	
Total Governmental activities		\$ 108,197,394
Proprietary funds		834,354
Fiduciary funds		<u>22,711,081</u>
Total Deposits and Investments		<u>\$ 131,742,829</u>

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

Cash on hand and in banks	\$ 9,731,087
Cash in revolving	61,000
Investments	<u>121,950,742</u>
Total Deposits and Investments	<u>\$ 131,742,829</u>

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### Policies and Practices

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

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

**Investment in the State Investment Pool** - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

### General Authorizations

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

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### Interest Rate Risk

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

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule.

The investments listed below all have weighted average maturities of less than one year:

<u>Investment Type</u>	<u>Fair Value</u>
County Pool	\$ 120,950,485
State Investment Pool (LAIF)	1,245,228
Total	<u>\$ 122,195,713</u>

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment's in the county pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2008.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance was \$7,136,992 with a carrying amount of \$2,706,292. Out of \$7,136,992, \$6,636,992 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Federal Government							
Categorical aid	\$ 1,096,725	\$ -	\$ -	\$ 111,080	\$ 1,207,805	\$ -	\$ -
State Government							
Apportionment	5,896,100	-	-	4,488	5,900,588	-	-
Categorical aid	3,348,018	-	-	-	3,348,018	-	-
Lottery	721,596	-	-	-	721,596	-	-
Other State	1,599,071	-	-	5,020	1,604,091	-	-
Local Government							
Interest	602,709	-	46,289	27	649,025	-	-
Other Local Sources	1,340,855	4,195,896	-	376,572	5,913,323	477,702	438,982
Total	<u>\$ 14,605,074</u>	<u>\$ 4,195,896</u>	<u>\$ 46,289</u>	<u>\$ 497,187</u>	<u>\$ 19,344,446</u>	<u>\$ 477,702</u>	<u>\$ 438,982</u>

Additional long term receivables included \$264,779 for a special education settlement with payments expected to be received annually over the next three years.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 281,423,892	\$ -	\$ -	\$ 281,423,892
Construction in Progress	137,817,205	45,362,686	99,831,866	83,348,025
Total Capital Assets Not Being Depreciated	419,241,097	45,362,686	99,831,866	364,771,917
Capital Assets Being Depreciated:				
Land Improvements	45,416,197	8,215,647	-	53,631,844
Buildings and Improvements	386,355,710	241,918,049	-	628,273,759
Furniture and Equipment	11,476,313	1,623,615	434,501	12,665,427
Total Capital Assets Being Depreciated	443,248,220	251,757,311	434,501	694,571,030
Total Capital Assets	862,489,317	297,119,997	100,266,367	1,059,342,947
Less Accumulated Depreciation:				
Land Improvements	30,639,511	2,623,262	-	33,262,773
Buildings and Improvements	76,418,607	18,135,642	-	94,554,249
Furniture and Equipment	6,577,242	1,020,244	428,631	7,168,855
Total Accumulated Depreciation	113,635,360	21,779,148	428,631	134,985,877
Governmental Activities Capital Assets, Net	\$ 748,853,957	\$ 275,340,849	\$ 99,837,736	\$ 924,357,070

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

<b>Governmental Activities</b>	
Instruction	\$ 20,096,016
Supervision of instruction	34,917
Instructional library, media, and technology	390,923
School site administration	611,762
Home-to-school transportation	112,665
Food services	17,629
All other pupil services	1,554
Ancillary services	212,388
Enterprise	2,259
All other general administration	89,225
Plant services	102,899
Centralized data processing	106,911
Total Depreciation Expenses Governmental Activities	<u>\$ 21,779,148</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Fund	Fiduciary Funds	
General fund	\$ -	\$ 109,739	\$ 197,226	\$ 4,420	\$ 16,374	\$ 327,759
Building fund	785,546	-	791,835	-	34,871	1,612,252
Non-Major						
Governmental funds	472,543		-	-	-	472,543
Proprietary fund	7,577	12,847	-	-	-	20,424
Fiduciary funds	89,859	-	-	-	-	89,859
Total	<u>\$ 1,355,525</u>	<u>\$ 122,586</u>	<u>\$ 989,061</u>	<u>\$ 4,420</u>	<u>\$ 51,245</u>	<u>\$ 2,522,837</u>

Balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
Building Fund	\$ -	\$ 3,686,897	\$ 3,686,897
Non-Major Governmental Funds	1,356,772	-	1,356,772
Internal Service Fund	150,000	-	150,000
Total	<u>\$ 1,506,772</u>	<u>\$ 3,686,897</u>	<u>\$ 5,193,669</u>

The General Fund transferred to the Cafeteria Fund to cover loss from operation.	\$ 268,480
The General Fund transferred to the Deferred Maintenance Fund for the required match.	1,088,292
The General Fund transferred to the Self Insurance Fund for deductible payments for property loss.	150,000
The Tax Override Fund transferred to Building Fund for interest earned and tax collected.	14
The County School Facilities Fund transferred to Building Fund for State Facilities funding on capital projects.	3,686,883
Total	<u>\$ 5,193,669</u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	\$ 2,705,523	\$ 4,489,630	\$ 27	\$ 524,674	\$ 7,719,854	\$ 87,893	\$ 287
Salaries and benefits	971,044	6,932	-	56,770	1,034,746	-	-
State apportionment	80,390	23,210	-	4,603	108,203	-	-
Total	<u>\$ 3,756,957</u>	<u>\$ 4,519,772</u>	<u>\$ 27</u>	<u>\$ 586,047</u>	<u>\$ 8,862,803</u>	<u>\$ 87,893</u>	<u>\$ 287</u>

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	\$ 22,180
State categorical aid	56,314
Total	<u>\$ 78,494</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 330,214,969	\$ 3,645,107	\$ 6,821,574	\$ 327,038,502	\$ 4,840,452
Accumulated vacation - net	1,838,167	144,776	-	1,982,943	-
Capital leases	2,172,320	-	549,552	1,622,768	521,063
Postemployment Benefits	-	970,996	-	970,996	-
	<u>334,225,456</u>	<u>4,760,879</u>	<u>7,371,126</u>	<u>331,615,209</u>	<u>5,361,515</u>
Premiums, net of amortization	10,749,964	-	502,297	10,247,667	502,297
	<u>\$ 344,975,420</u>	<u>\$ 4,760,879</u>	<u>\$ 7,873,423</u>	<u>\$ 341,862,876</u>	<u>\$ 5,863,812</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Capital leases payments are made by the General and Building funds. Accumulated vacation will be paid for by the fund for which the employee worked. Payment for OPEB obligations are made from Retiree Benefit Trust.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Additions/ Accretion	Redeemed	Bonds Outstanding June 30, 2008
12/1/99	2018	4.15-5.25%	\$ 70,000,000	\$ 77,089,969	\$ 3,645,107	\$ 4,121,574	\$ 76,613,502
3/1/03	2028	2.0-5.4%	72,000,000	65,125,000	-	2,700,000	62,425,000
10/13/04	2029	5-5.25%	100,000,000	100,000,000	-	-	100,000,000
7/20/06	2031	4.5-5%	88,000,000	88,000,000	-	-	88,000,000
				<u>\$ 330,214,969</u>	<u>\$ 3,645,107</u>	<u>\$ 6,821,574</u>	<u>\$ 327,038,502</u>

**Debt Service Requirements to Maturity**

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 4,840,452	\$ 14,894,514	\$ 19,734,966
2010	4,665,236	15,102,979	19,768,215
2011	5,821,054	15,497,486	21,318,540
2012	6,949,040	15,792,050	22,741,090
2013	7,808,356	16,029,772	23,838,128
2014-2018	60,933,411	81,477,014	142,410,425
2019-2023	80,766,485	47,661,565	128,428,050
2024-2028	84,865,000	20,187,705	105,052,705
2029-2033	35,140,000	2,843,625	37,983,625
Total	<u>291,789,034</u>	<u>\$ 229,486,710</u>	<u>\$ 521,275,744</u>
Accretions to date	<u>35,249,468</u>		
Total carrying amount	<u>\$ 327,038,502</u>		

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$1,982,943.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**Capital Leases**

The District has entered into the following capital lease arrangements and has recorded capital assets in the amount of \$3,879,133 and corresponding accumulated depreciation of \$712,702. The District's liability on lease agreements with options to purchase are summarized below:

	<u>Cars/Trucks</u>	All Weather Track and Synthetic <u>Turf</u>	<u>Total</u>
Balance, July 1, 2007	\$ 598,810	\$ 1,573,510	\$ 2,172,320
Payments	<u>177,533</u>	<u>372,019</u>	<u>549,552</u>
Balance, July 1, 2008	<u>\$ 421,277</u>	<u>\$ 1,201,491</u>	<u>\$ 1,622,768</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2009	\$ 578,201
2010	578,201
2011	<u>578,201</u>
Total	1,734,603
Less: Amount Representing Interest	<u>111,835</u>
Present Value of Minimum Lease Payments	<u>\$ 1,622,768</u>

**Other Postemployment Benefit (OPEB) Obligation**

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2008, was \$3,721,834 and contributions made by the District during the year were \$2,750,838, which resulted in a net OPEB obligation of \$970,996. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 9 - FUND BALANCES**

Fund balance with reservations and designations is composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 61,000	\$ -	\$ -	\$ -	\$ 61,000
Stores inventory	340,433	-	-	31,604	372,037
Prepaid expenditures	124,198	-	-	6,570	130,768
Restricted programs	8,189,859	-	-	-	8,189,859
Total Reserved	<u>8,715,490</u>	<u>-</u>	<u>-</u>	<u>38,174</u>	<u>8,753,664</u>
<b>Unreserved</b>					
<b>Designated</b>					
Economic uncertainties	6,646,722	-	-	-	6,646,722
Other designation	12,159,640	506,528	-	-	12,666,168
Total Designated	<u>18,806,362</u>	<u>506,528</u>	<u>-</u>	<u>-</u>	<u>19,312,890</u>
<b>Undesignated</b>					
	120,798	64,982,959	14,515,694	11,362,726	90,982,177
Total Unreserved	<u>18,927,160</u>	<u>65,489,487</u>	<u>14,515,694</u>	<u>11,362,726</u>	<u>110,295,067</u>
Total	<u>\$ 27,642,650</u>	<u>\$ 65,489,487</u>	<u>\$ 14,515,694</u>	<u>\$ 11,400,900</u>	<u>\$ 119,048,731</u>

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Ramon Valley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 507 retirees and beneficiaries currently receiving benefits and 1,698 active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

**Contribution Information**

The contribution requirements of plan members and the District are established and periodically updated through actuarial studies that provide 20 years of projected benefit payment net of retiree contributions. For fiscal year 2007-08, the District contributed \$2,750,838 to the plan, \$2,009,991 of which was used for current premiums (approximately 74 percent of current year's annual required contribution). District contributions for retiree benefits based on the rates established in accordance with the bargaining unit agreements. Retirees contributed \$1,937,266, or approximately 49% of the total premiums. Contributions made by retirees vary depending on their agreements. The retiree's out of pocket contribution is the difference between the District's costs and the amount of their groups' respective promise. The remainder of the premiums was funded from beginning net assets and interest earnings.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 3,721,834
Contributions made	<u>(2,750,838)</u>
Increase in net OPEB obligation	970,996
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ 970,996</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 was as follows:

Year Ended <u>June 30, 2008</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 3,721,834	74%	\$ 970,996

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

**Actuarial Methods and Assumptions**

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

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

In the July 1, 2007, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included 7.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in a Retiree Benefit Trust Fund through the CalPERS Employers' Retiree Benefit Trust (CERBT). The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2007, was 30 years. At July 1, 2008, the Trust Fund held net assets in the amount of \$10,057,202, which consisted of \$9,969,865 on deposit with the county treasurer and Due From Other Funds in excess of liabilities in the amount of \$87,337.

**NOTE 11 - RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with Schools Excess Liability Fund for excess property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2008, the District participated in the Contra Costa County Schools Insurance Group, an insurance purchasing pool. The intent of the Contra Costa County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Contra Costa County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Contra Costa County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participating school district. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Contra Costa County Schools Insurance Group. Participation in the Contra Costa County Schools Insurance Group is limited to districts that can meet the Contra Costa County Schools Insurance Group selection criteria.

Coverage provided by Contra Costa County Schools Insurance Group, Northern California Regional Excess Liability Fund, and Schools Excess Liability Fund for property, liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
The Contra Costa County Schools Insurance Group	Workers' Compensation	State of California Statutory Limitations
<u>Property and Liability Program</u>		
Northern California Regional Excess Liability Fund	Property	\$50,000-\$1,000,000
Schools Association For Excess Risk	Excess Property	\$5,250,000-\$144,750,000
Northern California Regional Excess Liability Fund	Liability	\$50,000-\$25,000,000
Schools Excess Liability Fund	Excess Liability	\$5,000,000-\$10,000,000

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**Claims Liabilities**

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

**Unpaid Claims Liabilities**

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2006 to June 30, 2008:

	<u>Health and Welfare</u>	<u>Property and Liability</u>
Liability Balance, July 1, 2006	\$ 60,645	\$ 43,103
Claims and changes in estimates	3,887,414	1,251,337
Claims payments	<u>(3,743,128)</u>	<u>(1,215,192)</u>
Liability Balance, June 30, 2007	204,931	79,248
Claims and changes in estimates	\$ 2,984,703	\$ 1,209,383
Claims payments	<u>(2,984,712)</u>	<u>(1,109,852)</u>
Liability Balance, June 30, 2008	<u>\$ 204,922</u>	<u>\$ 178,779</u>
Assets available to pay claims at June 30, 2008	<u>\$ 774,924</u>	<u>\$ 81,542</u>

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

**CalSTRS**

**Plan Description**

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

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$9,207,461, \$7,918,408, and \$6,916,940, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$2,772,273, \$2,499,458, and \$2,145,835, respectively, and equal 100 percent of the required contributions for each year.

#### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,493,714 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund Budgetary Schedule*.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

**Operating Leases**

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

District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2009	\$ 358,641
2010	346,841
2011	316,129
2012	246,448
2013	59,305
Total	<u>\$ 1,327,364</u>

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**Construction Commitments**

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion	Funding Source
Green Valley Modernization	\$ 37,809	September 2008	Measure A
California HS - Phase IB & II	223,045	September 2008	Measure A
San Ramon Valley Modernization	33,273	August 2008	Measure A
Monite Vista Modernization	48,123	September 2008	Measure A
Pine Valley Modernization	2,133,197	November 2008	Measure A
Pine Valley Electric	109,626	November 2008	Measure A
	\$ 2,585,073		

**NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the Contra Costa County School Insurance Group, Northern California Regional Excess Liability Fund, and the School Excess Liability Fund public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. The relationship between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed a board member to the governing board of Contra Costa County Schools Insurance Group and to the Northern California Regional Excess Liability Fund.

During the year ended June 30, 2008, the District made payment of \$2,813,228 and \$956,252 to Contra Costa County Schools Insurance Group and Northern California Regional Excess Liability Fund, respectively for insurance coverage.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>(GAAP Basis)</b>			<b>Positive</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 141,486,416	\$ 145,844,170	\$ 145,915,429	\$ 71,259
Federal sources	3,807,452	4,750,212	4,322,744	(427,468)
Other state sources	34,953,063	39,477,061	43,932,131	4,455,070
Other local sources	19,061,962	22,765,177	22,861,361	96,184
<b>Total Revenues<sup>1</sup></b>	<b>199,308,893</b>	<b>212,836,620</b>	<b>217,031,665</b>	<b>4,195,045</b>
<b>EXPENDITURES</b>				
Current				
Instruction	126,538,541	140,965,387	138,822,975	2,142,412
Instruction-related activities:				
Supervision of instruction	6,562,703	6,892,777	6,434,860	457,917
Instructional library, media, and technology	2,642,785	3,016,023	2,887,965	128,058
School site administration	15,528,912	17,325,067	16,542,878	782,189
Pupil services:				
Home-to-school transportation	2,548,916	2,950,512	2,925,511	25,001
Food services	139	139	-	139
All other pupil services	8,451,320	8,715,574	8,685,938	29,636
General administration:				
Data processing	2,217,604	2,299,902	2,152,656	147,246
All other general administration	8,085,147	8,533,563	8,414,064	119,499
Plant services	21,702,285	22,098,940	21,444,912	654,028
Facility acquisition and construction	116,090	57,280	7,015	50,265
Ancillary services	1,832,789	2,708,525	2,579,025	129,500
Community services	316,302	270,146	320,839	(50,693)
Other outgo	1,532,177	1,607,957	1,607,957	-
Debt service				
Principal	177,533	177,533	177,533	-
Interest	22,241	22,241	22,241	-
<b>Total Expenditures<sup>1</sup></b>	<b>198,275,484</b>	<b>217,641,566</b>	<b>213,026,369</b>	<b>4,615,197</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,033,409</b>	<b>(4,804,946)</b>	<b>4,005,296</b>	<b>8,810,242</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(1,281,600)	(1,238,292)	(1,506,772)	(268,480)
<b>Net Financing Sources (Uses)</b>	<b>(1,281,600)</b>	<b>(1,238,292)</b>	<b>(1,506,772)</b>	<b>(268,480)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(248,191)</b>	<b>(6,043,238)</b>	<b>2,498,524</b>	<b>8,541,762</b>
<b>Fund Balance - Beginning</b>	<b>25,144,126</b>	<b>25,144,126</b>	<b>25,144,126</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 24,895,935</b>	<b>\$ 19,100,888</b>	<b>\$ 27,642,650</b>	<b>\$ 8,541,762</b>

<sup>1</sup> On behalf payments of \$4,493,714 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
 PROGRESS AND EMPLOYER CONTRIBUTION  
 FOR THE YEAR ENDED JUNE 30, 2008**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
July 1, 2007	\$ 8,934,183	\$ 53,448,875	\$ 44,514,692	17%	\$ 115,878,907	38.41%

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***SUPPLEMENTARY INFORMATION***

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind			
Title II - Improving Teacher Quality	84.367	14341	\$ 505,587
Title II - Principal Training	84.367	14344	1,250
Title III - Limited English Proficiency	84.365	10084	41,764
Title III - Immigrant Education Program	84.365	14346	5,044
Title IV - Drug Free Schools	84.186	14347	54,885
Title V - Innovative Education Strategies	84.298A	14354	17,881
Vocational Education	84.048	13924	63,993
Special Education - State Grants			
Preschool Grants	84.173	13430	189,752
Local Assistance	84.027	13379	3,003,781
Preschool Local Entitlement	84.027A	13682	363,686
Early Intervention	84.181	23761	75,121
Total U.S. Department of Education			<u>4,322,744</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
National School Lunch	10.553	13390	359,139
Fair Market Value of Commodities <sup>1</sup>	10.555	13396	141,045
Total U.S. Department of Agriculture			<u>500,184</u>
Total Expenditures of Federal Awards			<u>\$ 4,822,928</u>

<sup>1</sup> Amount not included in financial statements

See accompanying note to supplementary information.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

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### ORGANIZATION

The San Ramon Valley Unified School District was established on July 1, 1965 and consists of an area comprising approximately 104 square miles. The District operates 20 elementary schools, seven middle schools, four high schools, a continuation, and an independent study.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Greg Marvel	President	2008
Joan Buchanan	Vice President	2010
Bill Clarkson	Clerk	2010
Rachel Hurd	Member	2010
Paul Gardner	Member	2008

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Robert Kessler	Superintendent
Michael Bush	Assistant Superintendent, Business Services
Roberta Silverstein	Assistant Superintendent, Human Resources
Christine Williams	Assistant Superintendent, Educational Services
Margaret Brown	Assistant Superintendent, Facilities Development

See accompanying note to supplementary information.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Amended Second Period Report</u>	<u>Annual Report</u>
<b>ELEMENTARY</b>		
Kindergarten	1,909	1,917
First through third	5,750	5,777
Fourth through sixth	5,722	5,740
Seventh and eighth	3,829	3,833
Home and hospital	3	3
Special education	255	258
Total Elementary	<u>17,468</u>	<u>17,528</u>
<b>SECONDARY</b>		
Regular classes	7,482	7,452
Continuation education	68	65
Home and hospital	4	5
Special education	149	149
Total Secondary	<u>7,702</u>	<u>7,671</u>
Total K-12	<u>25,170</u>	<u>25,199</u>
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	8	9
Full-time independent study	4	4
Total Classes for Adults	<u>11</u>	<u>13</u>
Grand Total	<u>25,182</u>	<u>25,212</u>
		<u>Hours of Attendance</u>
<b>SUMMER SCHOOL</b>		
Elementary		106,642
High school		<u>95,607</u>
Total Hours		<u>202,249</u>

See accompanying note to supplementary information.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Grade Level</u>	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-2008 Actual Minutes	<u>Number of Days</u> Traditional Calendar	<u>Status</u>
Kindergarten	31,680	36,000	36,000	180	In compliance
Grades 1 - 3					
Grades 1	46,640	50,400	52,060	180	In compliance
Grades 2	46,640	50,400	52,060	180	In compliance
Grades 3	46,640	50,400	52,060	180	In compliance
Grades 4 - 6					
Grades 4	52,500	54,000	54,240	180	In compliance
Grades 5	52,500	54,000	54,240	180	In compliance
Grades 6	52,500	54,000	54,240	180	In compliance
Grades 7 - 8					
Grades 7	59,448	54,000	59,708	180	In compliance
Grades 8	59,448	54,000	59,708	180	In compliance
Grades 9 - 12					
Grades 9	61,599	64,800	66,855	180	In compliance
Grades 10	61,599	64,800	66,855	180	In compliance
Grades 11	61,599	64,800	66,855	180	In compliance
Grades 12	61,599	64,800	66,855	180	In compliance

See accompanying note to supplementary information.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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There were no adjustments to the Annual Financial and Budget Report Unaudited Actuals, which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

	(Budget)			
	2009 <sup>1</sup>	2008	2007	2006
<b>GENERAL FUND</b>				
Revenues	\$ 212,026,763	\$ 212,537,951	\$ 201,318,200	\$ 175,773,506
Other sources and transfers in	-	-	380,411	704,208
Total Revenues and Other Sources	212,026,763	212,537,951	201,698,611	176,477,714
Expenditures	213,607,886	208,532,655	195,130,124	170,293,370
Other uses and transfers out	1,369,204	1,506,772	1,697,795	1,432,774
Total Expenditures and Other Uses	214,977,090	210,039,427	196,827,919	171,726,144
<b>INCREASE (DECREASE)</b>				
IN FUND BALANCE	\$ (2,950,327)	\$ 2,498,524	\$ 4,870,692	\$ 4,751,570
ENDING FUND BALANCE	\$ 24,692,323	\$ 27,642,650	\$ 25,144,126	\$ 20,273,434
AVAILABLE RESERVES <sup>2</sup>	\$ 6,783,638	\$ 6,767,520	\$ 6,653,259	\$ 5,588,516
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	3.16%	3.22%	3.46%	3.33%
LONG-TERM DEBT	\$ 335,999,064	\$ 341,862,876	\$ 344,975,420	\$ 257,566,556
K-12 AVERAGE DAILY ATTENDANCE AT P-2	25,499	25,170	23,918	23,090

The General Fund balance has increased by \$7,369,216 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$2,950,327 (eleven percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the past three years and anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have increased by \$84,296,320 over the past two years, which is primarily due to the issuance of general obligations bonds in the amount of \$88 million in 2006-07 and \$100 million in 2005-06.

Average daily attendance has increased by 2,080 over the past two years. Additional growth of 329 ADA is anticipated during fiscal year 2008-2009.

1 Budget 2009 is included for analytical purposes only and has not been subjected to audit.

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

3 On-behalf payments of \$4,493,714, \$4,330,708, and \$3,787,125 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007, and 2006.

See accompanying note to supplementary information.

# **SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

## **EXCESS SICK LEAVE JUNE 30, 2008**

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### **Section 19833.5 (a)(3)(c) Disclosure**

San Ramon Valley Unified School District provides more than 12 sick leave days in a school year to the following groups of employees who are CalSTRS members:

1. Superintendent
2. Assistant Superintendent
3. Principals and other management

See accompanying note to supplementary information.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

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

#### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

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

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

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

#### **Schedule of Financial Trends and Analysis**

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

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2008**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 44,175	\$ 33,315	\$ 1,577,243
Receivables	4,488	485,003	-
Due from other funds	433	363,647	15,804
Prepaid expenses	-	-	-
Stores inventories	-	31,605	-
<b>Total Assets</b>	<b>\$ 49,096</b>	<b>\$ 913,570</b>	<b>\$ 1,593,047</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Overdrafts	\$ -	\$ 447,739	\$ -
Accounts payable	1,433	252,781	290,603
Due to other funds	245	181,446	-
<b>Total Liabilities</b>	<b>1,678</b>	<b>881,966</b>	<b>290,603</b>
<b>Fund Balances:</b>			
Reserved for:			
Other reservations	-	31,604	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	47,418	-	1,302,444
Capital projects funds	-	-	-
<b>Total Fund Balance</b>	<b>47,418</b>	<b>31,604</b>	<b>1,302,444</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 49,096</b>	<b>\$ 913,570</b>	<b>\$ 1,593,047</b>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Non-Capital Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,869,893	\$ 6,099,381	\$ 791,835	\$ -	\$ 12,415,842
-	7,696	-	-	497,187
36,804	55,855	-	-	472,543
-	6,570	-	-	6,570
-	-	-	-	31,605
<u>\$ 3,906,697</u>	<u>\$ 6,169,502</u>	<u>\$ 791,835</u>	<u>\$ -</u>	<u>\$ 13,423,747</u>
\$ -	\$ -	\$ -	\$ -	\$ 447,739
-	41,230	-	-	586,047
-	15,535	791,835	-	989,061
-	56,765	791,835	-	2,022,847
-	6,570	-	-	38,174
3,906,697	-	-	-	5,256,559
-	6,106,167	-	-	6,106,167
<u>3,906,697</u>	<u>6,112,737</u>	<u>-</u>	<u>-</u>	<u>11,400,900</u>
<u>\$ 3,906,697</u>	<u>\$ 6,169,502</u>	<u>\$ 791,835</u>	<u>\$ -</u>	<u>\$ 13,423,747</u>

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Revenue limit sources	\$ 43,298	\$ -	\$ -
Federal sources	-	359,139	-
Other state sources	-	15,024	902,733
Other local sources	1,648	4,377,592	43,030
<b>Total Revenues</b>	<b>44,946</b>	<b>4,751,755</b>	<b>945,763</b>
<b>EXPENDITURES</b>			
Current			
Instruction	22,320	-	-
Pupil services:			
Food services	-	4,813,247	-
General administration:			
All other general administration	1,011	223,146	-
Plant services	-	1,739	1,633,368
Facility acquisition and construction	-	-	194,940
<b>Total Expenditures</b>	<b>23,331</b>	<b>5,038,132</b>	<b>1,828,308</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>21,615</b>	<b>(286,377)</b>	<b>(882,545)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	268,480	1,088,292
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>268,480</b>	<b>1,088,292</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>21,615</b>	<b>(17,897)</b>	<b>205,747</b>
<b>Fund Balance - Beginning</b>	<b>25,803</b>	<b>49,501</b>	<b>1,096,697</b>
<b>Fund Balance - Ending</b>	<b>\$ 47,418</b>	<b>\$ 31,604</b>	<b>\$ 1,302,444</b>

See accompanying note to supplementary information - unaudited.

<b>Special Reserve Non-Capital Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 43,298
-	-	-	-	359,139
-	-	5,369,293	-	6,287,050
172,703	1,981,927	7,003	14	6,583,917
<u>172,703</u>	<u>1,981,927</u>	<u>5,376,296</u>	<u>14</u>	<u>13,273,404</u>
-	-	-	-	22,320
-	-	-	-	4,813,247
-	8,964	-	-	233,121
-	632,034	-	-	2,267,141
-	1,058,618	1,958,885	-	3,212,443
-	<u>1,699,616</u>	<u>1,958,885</u>	-	<u>10,548,272</u>
172,703	282,311	3,417,411	14	2,725,132
-	-	-	-	1,356,772
-	-	<u>(3,686,883)</u>	<u>(14)</u>	<u>(3,686,897)</u>
-	-	<u>(3,686,883)</u>	<u>(14)</u>	<u>(2,330,125)</u>
172,703	282,311	(269,472)	-	395,007
3,733,994	5,830,426	269,472	-	11,005,893
<u>\$ 3,906,697</u>	<u>\$ 6,112,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,400,900</u>

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT**

**ASSESSED VALUATION OF TAXABLE PROPERTIES AND SECURED TAX  
CHARGES AND DELINQUENCIES WITHIN THE SAN RAMON VALLEY UNIFIED  
SCHOOL DISTRICT BOUNDARIES - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2008**

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Assessed Valuation	\$ 34,256,989,360
Less: Exemptions	<u>(472,815,190)</u>
Total 2007-08 Assessed Valuation	<u>\$ 33,784,174,170</u>

See accompanying note to supplementary information - unaudited.

# SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

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### NOTE 1 - PURPOSE OF SCHEDULES

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

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

#### **Assessed Valuation of Taxable Properties and Secured Tax Charges and Delinquencies within the San Ramon Valley Unified School District Boundaries – Unaudited**

As part of the District's continuing disclosure certification of reporting to official depositories the assessed valuation of taxable properties and secured tax charges and delinquencies within San Ramon Valley Unified School District boundaries have been presented. This information was prepared by the Auditor/Controller's Office of Contra Costa County. We have not audited this information and therefore, do not express an opinion on this information.

**APPENDIX B**

**FORM OF LEGAL OPINION**

**APPENDIX B**  
**FORM OF FINAL OPINION OF BOND COUNSEL**

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education  
San Ramon Valley Unified School District  
699 Old Orchard Drive  
Danville, California 92526

OPINION: \$30,000,000 San Ramon Valley Unified School District (Contra Costa County, California)  
2009 Tax and Revenue Anticipation Notes

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Members of the Board of Education:

We have acted as bond counsel to the San Ramon Valley Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") of \$30,000,00 principal amount of San Ramon Valley Unified School District (Contra Costa County, California) 2009 Tax and Revenue Anticipation Notes, dated November 17, 2009 (the "Notes"), pursuant to Article 7.6 (commencing with section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, a resolution adopted by the Board of Education of the District on September 22, 2009 (the "District Resolution"), and a resolution adopted by the Board on October 6, 2009 (the "Board Resolution" and, collectively, the "Resolutions"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Board Resolution and of the District in the District Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to perform its obligations under the District Resolution, to cause the Board to issue the Notes in its name and to perform its obligations under the Board Resolution and the Notes.

2. The District Resolution has been duly adopted by the District. The Board Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Notes.

3. The Notes have been duly authorized, issued and delivered by the Board and are valid and binding general obligations of the District enforceable in accordance with their terms.

4. Subject to the District's compliance with certain covenants, interest on the Notes (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) interest on the Notes is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain

of such covenants could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

5. Interest on the Notes is exempt from personal income taxation imposed by the State of California.

Ownership of the Notes may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Notes.

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX C

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT (the "District") in connection with the issuance by the Board of Supervisors of Contra Costa County (the "Board") in the name of the District of \$30,000,000 San Ramon Valley Unified School District (Contra Costa County, California) 2009 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to , a resolution adopted by the Board of Education of the District on September 22, 2009 (the "District Resolution"), and a resolution adopted by the Board on October 6, 2009 (the "Board Resolution" and, collectively, the "Resolutions"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

*"National Repository"* shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

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

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

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

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) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or uncheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board and with each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District.

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 the following conditions are satisfied:

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

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 any 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 Disclosure Certificate to update such information or include it in any future 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.

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 indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's

negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

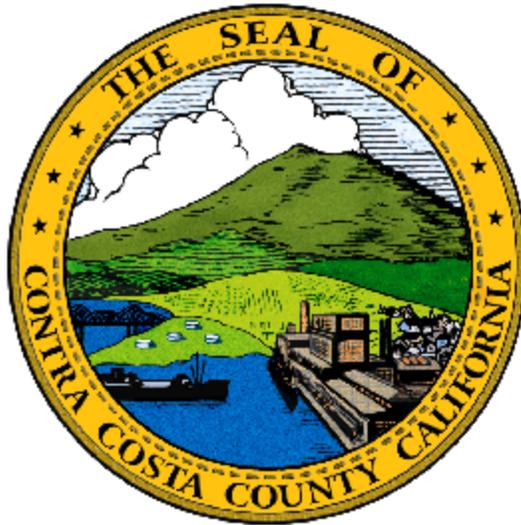
Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: [Closing Date]

SAN RAMON VALLEY UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_  
Authorized Officer

**APPENDIX D**  
**CONTRA COSTA COUNTY INVESTMENT POOL**



# **CONTRA COSTA COUNTY**

## **INVESTMENT POLICY**

**JUNE 2009**

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

**STANDARDS AND OBJECTIVES**

**§53600.3.<sup>1</sup> Standard for Governing Bodies or Persons Authorized to Make Investment Decisions for Local Agencies**

Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the ***prudent investor standard***. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law.

**§53600.5. Trustee's Objectives Regarding Funds**

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to ***safeguard the principal*** of the funds under its control. The secondary objective shall be to ***meet the liquidity*** needs of the depositor. The third objective shall be to ***achieve a return*** on the funds under its controls.

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<sup>1</sup> Number refers to Government Code number and section.

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

**INSTRUMENTS AUTHORIZED FOR INVESTMENT**

**§53601. Instruments Authorized for Investment**

- A. ***Bonds issued by the local agencies***, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- B. ***United States Treasury notes, bonds, bills or certificates of indebtedness***, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- C. ***Registered state warrants or treasury notes or bonds of this state***, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.
- D. ***Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state***, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.
- E. ***Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments***, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- F. ***Bankers acceptances otherwise known as bills of exchange or time drafts*** drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).
- G. ***Commercial paper*** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
  - (1) The entity meets the following criteria:
    - (A) Is organized and operating in the United States as a general corporation.
    - (B) Has total assets in excess of five hundred million dollars (\$500,000,000).

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

(C) Has debt other than commercial paper, if any, that is rated “A” or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

**Eligible commercial paper** shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635. Following are the concentration limits (Government Code Section 53635, subdivision (a)):

1. Not more than 40 percent of the local agency’s money may be invested in eligible commercial paper.
2. Not more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer’s commercial paper.

H. **Negotiable certificates of deposit** issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency’s money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager’s office, budget office, auditor-controller’s office, or treasurer’s office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

I. Investments in **repurchase agreements** or **reverse repurchase agreements** of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

1. **“Repurchase agreement”** means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

- a. **"Securities,"** for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.
  - b. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
2. **"Reverse repurchase agreement"** means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

**Reverse repurchase agreements** may be utilized only when all of the following conditions are met:

The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio; the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

**Investments in reverse repurchase agreements** shall only be made with primary dealers of the Federal Reserve Bank of New York, or with a nationally- or state-chartered bank that has or has had a significant banking relationship with a local agency..."Significant banking relationship" means any of the following activities of a bank:

- a. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, notes, or other evidence of indebtedness.

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

- b. Financing of a local agency's activities.
  - c. Acceptance of a local agency's securities or funds as deposits.
- J. **Medium-term notes** of a maximum of five-years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally-recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's money that may be invested pursuant to this section.
- K. 1. **Shares of beneficial interest** issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2.
2. **Shares of beneficial interest** issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).
3. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:
- a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
  - b. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
4. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).
- L. **Moneys held by a trustee or fiscal agent** and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds,

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**INVESTMENT POLICY**  
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indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

- M. ***Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest*** in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- N. ***Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond*** of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.
- O. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n) , inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:
- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n) inclusive.
  - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

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***P. Local Agency Investments – LAIF - (All references in this section to the Treasurer and the Controller pertain to the State Treasurer and the State Controller).***

**§16305.9.** (a) All money in the Local Agency Investment Fund shall be held in trust in the custody of the Treasurer.

(b) All money in the Local Agency Investment Fund is nonstate money. That money shall be held in a trust account or accounts. The Controller shall be responsible for maintaining those accounts to record the Treasurer's accountability, and shall maintain a separate account for each trust deposit in the Local Agency Investment Fund.

(c) That money shall be subject to audit by the Department of Finance and to cash count as provided for in Sections 13297, 13298, and 13299. It may be withdrawn only upon the order of the depositing entity or its disbursing officers. The system that the Director of Finance has established for the handling, receiving, holding, and disbursing of state agency money shall also be used for the money in the Local Agency Investment Fund.

(d) All money in the Local Agency Investment Fund shall be deposited, invested and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

**§16429.1. Existence and Appropriation of Fund; Investment and Distribution of Deposits**

(a) There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

(b) Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(c) Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(d) Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending

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expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

(e) The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

(f) The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

(g) The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

(h) The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

(i) The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

(j) Money in the fund shall be invested to achieve the objective of the fund, that is to realize the maximum return consistent with safe and prudent treasury management.

(k) All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

(l) Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An

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amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section.

(m) The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

**FURTHER RESTRICTIONS/LIMITATIONS BY GOVERNMENT CODE AND COUNTY TREASURER**

**Further Restrictions Set by Treasurer**

- A. Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio without prior approval of the Treasurer.
- B. Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.
- C. SBA loans require prior approval of the Treasurer in every transaction.
- D. Repurchase Agreements will generally be limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code 53601.
- E. Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.
- F. Bank C.D.s or non-negotiable C.D.s will be collateralized at 110 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first \$100,000 collateral except by special arrangement with the Treasurer.
- G. All investments purchased by the Treasurer's Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.
- H. All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars or snuff or for smoking in pipes or a company that has total

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revenues of 15 percent or more from the sale of such products. The tobacco-related issuers restricted from any investment are British American Tobacco, Gallaher Group PLC, Imasco Ltd., Lowes Companies, ALTRIA Group, Inc., RJ Reynolds Tobacco Holdings, Inc., Brooke Groupe LTD., UST, Inc. and Universal Corp. However, tobacco-related companies will not be limited to the foregoing list. Additional companies will be prohibited as long as said entities fall within the definition of tobacco-related companies.

- I. Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.
- J. No more than 10 percent of the local agency's money may be invested in the outstanding commercial paper of any single issuer.
- K. No more than 10 percent of the outstanding commercial paper of any single issuer may be purchased by the local agency.

**§53601.6. Prohibited Investments by Government Code**

- A. A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in ***inverse floaters, range notes or interest-only strips*** that are derived from a pool of mortgages.
- B. A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in ***any security that could result in zero interest accrual if held to maturity***. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.) that are authorized for investment pursuant to subdivision (k) of Section 53601.

**§53601. Instruments Authorized for Investments: Maturity**

Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, **no investment shall be made in any security**, other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment **has a term remaining to maturity in excess of five years**, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

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**Quality of Investment Instruments, Issuers and Sources**

Regular financial review and analysis of issuers and sources of securities such as banks and brokerage firms shall be performed. These will be based on credit-rating services' evaluations, financial documents such as audits, Form 10-Q filings to the Securities and Exchange Commission and other reliable financial information.

**SAFEKEEPING AND CUSTODY**

**§53601. Instruments Authorized for Investment**

A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants or managers using the agency's funds, by book entry, physical delivery or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term of remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section.

In compliance with this section, the securities of Contra Costa County and its agencies shall be in safekeeping at The Bank of New York Trust Company, N. A., a counterparty bank's trust department or as defined in the debt indenture and contract.

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**AUTHORIZED BROKERS AND DEALERS**

Securities for Contra Costa County and its agencies shall be purchased from the following:

- Primary dealers of the Federal Reserve Bank of New York and their subcontracts.
- Banks and financial institutions that sell and buy instruments authorized for investments per Government Code 53600 et. seq. and their subcontracts.
- Issuers of securities authorized by Government Code 53601 et. seq.

Securities shall not be purchased from brokers, brokerages, dealers or securities firms who within any 48-month period following January 1, 1996, made a political contribution to the local treasurer, any member of the governing board of the local agency or any candidate for those offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

**LIMITS ON THE RECEIPT OF HONORARIA, GIFTS AND GRATUITIES**

**Gift Prohibitions**

All state and local officials who are listed in Government Code Section 87200, and candidates for those elective offices (except judges), are prohibited from accepting a gift or gifts aggregating more than **as stated in California Government Code §89502(a) and §89503(f)** in a calendar year from a single source.

**Beginning on January 1, 1993, the State Fair Political Practices Commission shall adjust the gift limitations in this section on January 1<sup>st</sup> of each odd-numbered year to reflect changes in the Consumer Price Index rounded to the nearest ten dollars (\$10). §89503(f)**

**Honorarium Prohibition**

All state and local officials who are listed in Government Code Section 87200, and candidates for those elective offices (except judges), are prohibited from accepting any honorarium for any speech given, article published or attendance at any public or private conference, convention, meeting, social event, meal or like gathering.

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**Exceptions**

- The gift limit and honorarium prohibitions do not apply to a part-time member of the governing board of a public institution of higher education unless the member is also an elected official.
- For state board and commission members, the gift limit and honorarium prohibition are applicable only if the member would be required to report the receipt of income or gifts from the source on his or her statement of economic interests. The \$10 gift limit is applicable only to lobbyists and lobbying firms registered to lobby the board or commission member's agency.

**Disqualification**

Public officials are, under certain circumstances, required to disqualify themselves from making, participating in, or attempting to influence governmental decisions that will affect any of their financial interests, not just those that they are required to disclose on a statement of economic interests.

**Enforcement**

The Fair Political Practices Commission may impose penalties for statements of economic interests that are filed late. The fine is \$10 per day, beginning the day after the filing deadline, up to a maximum of \$100. Late-filing penalties can be reduced or waived under certain circumstances.

In addition, the Fair Political practices Commission may initiate investigations with respect to any suspected violation of the Political Reform Act. Other law enforcement agencies (the Attorney General or District Attorney) may initiate investigations under certain circumstances. If violations are found, the Commission may initiate administrative enforcement proceedings that could result in the imposition of monetary penalties of up to **\$5,000** per violation. In lieu of administrative prosecution, a civil action may be brought for negligent or intentional violations by the appropriate civil prosecutor (the Commission, Attorney General or District Attorney) where the measure of damages for most violations is the amount of value not properly reported. Persons who violate the conflict-of-interest disclosure provisions of the Political Reform Act can also be subject to discipline by their agency, including dismissal.

Finally, a knowing or willful violation of any provision of the Political Reform Act is a misdemeanor. Persons convicted of a misdemeanor may be disqualified for four years from the date of the conviction from serving as a lobbyist or running for elective office in addition to other penalties that may be imposed. The Act also provides for numerous civil penalties, including monetary penalties and damages, and injunctive relief from the courts.

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INVESTMENT POLICY  
JUNE 2009**

**METHODOLOGY OF CALCULATING AND APPORTIONING TREASURY COSTS**

**Regular and Routine Investments**

- \$20 per investment transaction; i.e., \$20 at placement and \$20 at maturity.
- .00333 of interest income; i.e., \$3.33 per \$1,000 of interest income.

Charged quarterly by journal entry.

**Special Reports and Research**

Actual staff time and materials.

**Special Bank Transactions**

Actual bank fee schedule, staff time and materials.

**§53684. Alternative Procedure for Investment of Excess Funds**

B. The County Treasurer shall, at *least* quarterly, apportion any interest or other increment derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency *and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.* \*

Prior to distributing that interest or increment, the County Treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency *and to the total average daily balance of deposits in the investment pool.*

C. The County Treasurer shall disclose to each local agency that invests funds pursuant to this section the method of accounting used, whether cash, accrual, or other, and shall notify each local agency of any proposed changes in the accounting method at least 30 days prior to the date on which the proposed changes take effect. \*

\* In Contra Costa County, the Auditor-Controller performs these functions for fiscal control purposes.

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**INVESTMENT POLICY**  
**JUNE 2009**

**FURTHER AMENDMENTS TO THE CONFLICT OF INTEREST CODES**

**(Per a Contra Costa County Board of Supervisors' Order dated February 6, 1996)**

Amend all local Conflict of Interest Codes as follows:

Pursuant to Government Code Sections 87302 and 87306 et. seq., this Board hereby amends every local Conflict of Interest Code previously approved by the Board of Supervisors to add the following:

“All other provisions of this Code notwithstanding, the following provisions hereafter apply:

1. No designated employee shall accept **any** honorarium.

Subdivisions (b), (c) and (e) of Government Code Section 89502 shall apply to the prohibitions in this Section. This Section shall not limit or prohibit payments, advances or reimbursements for travel and related lodging and subsistence authorized by Government Code Section 89506.

2. No designated employee shall accept any gifts with a total value of more than three hundred ninety dollars (\$390) in a calendar year from any single source.

Subdivision (d) of Government Code Section 89504 shall apply to this Section.”

This amendment is necessary to assure that all local codes comply with recent amendments to Government Code Section 89502.

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

**INVESTMENT REPORT**

The Treasurer may render a quarterly report "...to the Chief Executive Officer, the Internal Auditor and the legislative body of the local agency..." (Government Code 53646).

The County shall submit copies of its second and fourth quarter reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year (Government Code 53646(g)).

In addition the County Treasurer will provide "...the County Treasury Oversight Committee with an investment report as required by the Board of Supervisors..." (Government Code 27133 (e)).

The County shall submit copies of its investment policy each calendar year to the California Debt and Investment Advisory Commission. All subsequent policy amendment(s) have to be submitted within 60 days.

**PLEDGE REPORT**

Any securities that are pledged or loaned for any purpose shall be reported in the Quarterly Investment Report. The transaction detail will be provided, including purpose, beginning and termination dates and all parties to the contract. The security descriptions as to type, name, maturity date, coupon rate, CUSIP and other material information will be included.

**REVERSE REPURCHASE AGREEMENTS**

All reverse repurchase agreements entered into, whether active or inactive by the end of each quarter, shall be reported in the Treasurer's Quarterly Investment Report.

**LOCAL AGENCY INVESTMENTS**

To be eligible to receive local agency money, a bank, savings association, federal association, or federally-insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. (Government Code 53635)

**CONTRA COSTA COUNTY**  
**INVESTMENT POLICY**  
**JUNE 2009**

**NON-MANDATED DEPOSITS AND WITHDRAWALS IN THE TREASURY**

Following are the terms and conditions for deposit of funds for investment purposes by entities that are not legally required to deposit their funds in the County Treasury.

- Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.
- Resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to Government Code 53684.
- Treasury investments will be directed transactions.

Withdrawal of funds in the Treasury shall coincide with investment maturities or authorized sale of securities by the legislative or governing body of the local agency. Except for funds in the California State Local Agency Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

**WITHDRAWAL OF FUNDS BY MANDATED TREASURY PARTICIPANTS**

The withdrawal of mandated deposits in the Treasury will coincide with investment maturities and/or authorized sale of securities by authorized personnel of the local agency. Except for funds in the California State Local Agency Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

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INVESTMENT POLICY  
JUNE 2009**

**Evaluation of Request For Withdrawal of Funds For Use Outside the County Treasury Pool by Both Mandated and Non-Mandated Treasury Pool Participants**

Pursuant to Section 27136(a):

“Notwithstanding any other provisions of law, any local agency, public agency, public entity or public official that has funds on deposit in the County treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the County treasury pool shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the County treasury pool.”

The County Treasurer shall evaluate each proposed withdrawal and may request up to 30 days in order to assess the effect of the proposed withdrawal on the stability and predictability of the investments in the County treasury and that the interests of the other depositors will not be adversely affected.



CONTRA COSTA COUNTY  
TREASURER'S QUARTERLY INVESTMENT REPORT  
AS OF JUNE 30, 2009

## EXECUTIVE SUMMARY

- The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq..
- The Treasurer's investment portfolio 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 total investment pool equaled **\$1,946,868,643** on June 30, 2009. The fair value was **\$1,952,332,575** which was 100.3% of cost.
- The weighted average maturity of the total investment pool was 117.78 days. More than 87 percent of the portfolio or over \$1.704 billion will mature in less than a year. The County is unable to determine if it can meet its cash flow needs for the next six months due to the State's cash and budget deficit.

# CONTRA COSTA COUNTY INVESTMENT POOL

As of  
June 30, 2009

<u>TYPE</u>	<u>PAR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>	<u>PORTFOLIO % OF COST</u>	<u>PORTFOLIO % OF PAR</u>
<b>A. Investments Managed by Treasurer's Office</b>					
1. U.S. Treasuries (STRIPS, Bills, Notes)	\$42,851,000.00	\$42,377,572.64	\$43,259,869.76	2.18%	2.20%
2. U.S. Agencies					
Federal Agriculture Mortgage Corporation	\$6,751,000.00	\$7,032,398.93	\$7,219,511.56	0.36%	0.35%
Federal Home Loan Banks	126,359,000.00	127,997,126.32	130,317,672.76	6.57%	6.50%
Federal National Mortgage Association	62,327,000.00	62,512,205.18	63,391,580.96	3.21%	3.21%
Federal Farm Credit Banks	21,582,000.00	21,946,036.35	22,289,316.90	1.13%	1.11%
Federal Home Loan Mortgage Corporation	50,606,866.92	51,082,250.89	51,119,050.34	2.62%	2.60%
Municipal Bonds	2,700,000.00	2,704,005.00	2,704,005.00	0.14%	0.14%
Subtotal	\$270,325,866.92	\$273,274,022.67	\$277,041,137.52	14.04%	13.90%
3. Money Market Instruments					
Bankers Acceptances	\$81,687,000.00	\$81,446,078.37	\$81,608,843.85	4.18%	4.20%
Repurchase Agreement	185,000,000.00	185,000,000.00	185,000,000.00	9.50%	9.51%
Commercial Paper	340,867,000.00	340,687,906.95	340,846,166.67	17.50%	17.53%
Negotiable Certificates of Deposit	251,515,000.00	251,515,000.00	251,655,639.26	12.92%	12.93%
Corporate Notes	33,007,000.00	33,045,212.53	32,584,340.61	1.70%	1.70%
Time Deposit	60,003,076.96	60,003,076.96	60,006,518.61	3.08%	3.09%
Subtotal	\$952,079,076.96	\$951,697,274.81	\$951,701,509.00	48.88%	48.96%
<b>TOTAL</b>	<b>\$1,265,255,943.88</b>	<b>\$1,267,348,870.12</b>	<b>\$1,272,002,516.28</b>	<b>65.10%</b>	<b>65.07%</b>
<b>B. Investments Managed by Outside Contractors</b>					
1. Local Agency Investment Fund	\$468,588,842.02	\$468,588,842.02	\$469,200,230.03	24.07%	24.10%
2. Other					
a. California Asset Management Program (RDA)	\$29,249.01	\$29,249.01	\$29,295.47	0.00%	0.00%
c. Other (BNY, Mechanics, CCFUCU)	513,016.54	513,016.54	484,519.41	0.03%	0.03%
d. Wells Fargo Asset Management (324-131235)	45,061,296.00	45,335,987.88	45,474,568.28	2.33%	2.32%
e. Columbia Management Group (Bank of America)	38,814,485.00	38,821,650.00	38,827,325.00	1.99%	2.00%
f. Caltrust	45,043,588.86	45,043,588.86	45,126,681.86	2.31%	2.32%
Subtotal	\$129,461,635.41	\$129,743,492.29	\$129,942,390.02	6.66%	6.66%
<b>TOTAL</b>	<b>\$598,050,477.43</b>	<b>\$598,332,334.31</b>	<b>\$599,142,620.05</b>	<b>30.73%</b>	<b>30.76%</b>
<b>C. Cash</b>	<b>\$81,187,438.27</b>	<b>\$81,187,438.27</b>	<b>\$81,187,438.27</b>	<b>4.17%</b>	<b>4.18%</b>
<b>GRAND TOTAL (FOR A , B, &amp; C)</b>	<b>\$1,944,493,859.58</b>	<b>\$1,946,868,642.70</b>	<b>\$1,952,332,574.60</b>	<b>100.00%</b>	<b>100.00%</b>

## **NOTES TO INVESTMENT PORTFOLIO SUMMARY AS OF JUNE 30, 2009**

1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference in recording transactions associated with outside contracted parties during interim periods and later transmitted to the appropriate county agency and/or the Treasurer's Office. In general, the Treasurer's records reflect booked costs at the beginning of a period.

CONTRA COSTA COUNTY  
TREASURER'S OFFICE  
INVESTMENT INVENTORY WITH MARKET VALUE

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INVESTMENTS OUTSTANDING AS OF 06/30/09  
MAJOR SORT KEY IS ICC#

INVEST NUMBER	DESCRIPTION PURCHASE MATURITY DATE	CUSIP	BANK BROK	FOND SAFE	CPN RATE YTM TR	PAR/SHARES BOOK	MARKET VALUE MARKET PRICE	CURR ACRR PRICE SOURCE	INT UNREALIZED UNREALIZED LOSS	GAIN UNREALIZED LOSS
SUBTOTAL (Inv Type) 10	TREASURY NOTES - STRIPS	.10%(M)			8.1533 10.0434	1,261,000.00 511,782.17	1,248,625.63 99.01868600000	691,617.82		45,225.64
SUBTOTAL (Inv Type) 11	TREASURY BILLS	.39%(M)			.2700 .2704	5,000,000.00 4,993,325.00	4,996,875.20 99.93750400000	2,437.50		1,112.70
SUBTOTAL (Inv Type) 12	TREASURY NOTES	2.91%(M)			2.0733 1.7461	36,590,000.00 36,872,465.47	37,014,368.93 101.15979500000	137,904.39		230,133.65 -63,593.07
SUBTOTAL (Inv Type) 20	FEDERAL AGRICULTURE MOR	.57%(M)			4.9234 3.7458	6,751,000.00 7,032,398.93	7,219,511.56 106.93988400000	134,435.74		187,112.63
SUBTOTAL (Inv Type) 22	FEDERAL HOME LOAN BANKS	9.26%(M)			3.7649 3.0891	113,875,000.00 115,584,009.71	117,838,221.94 103.48032700000	841,823.02		2,328,659.41 -58,682.46
SUBTOTAL (Inv Type) 23	FEDERAL NATIONAL MORTGA	4.94%(M)			3.2740 3.2195	61,825,000.00 62,012,955.72	62,890,051.58 101.72268800000	647,304.32		1,085,917.01 -51,732.62
SUBTOTAL (Inv Type) 27	FEDERAL FARM CREDIT BAN	1.75%(M)			3.3448 2.5743	21,582,000.00 21,946,036.35	22,289,316.90 103.27734600000	259,520.13		366,362.42 -21,098.69
SUBTOTAL (Inv Type) 28	FEDERAL HOME LOAN MORTG	.10%(M)			.4260 .4272	1,252,000.00 1,248,584.17	1,250,861.16 99.90903800000	1,036.70		1,240.29
SUBTOTAL (Inv Type) 29	PHLMC NOTES	3.89%(M)			2.1410 1.5360	48,986,000.00 49,455,882.26	49,489,369.07 101.02757700000	222,506.57		118,571.62 -39,879.25
SUBTOTAL (Inv Type) 31	MUNICIPAL BONDS	.21%(M)			4.1563 4.0569	2,700,000.00 2,704,005.00	2,704,005.00 100.14833300000	40,912.11		.00
SUBTOTAL (Inv Type) 40	PHLMC MBS	.03%(M)			5.0000 3.8970	368,866.92 377,784.46	378,820.11 102.69831600000	1,536.93		1,035.65
SUBTOTAL (Inv Type) 41	FNMA DISCOUNT NOTES	.04%(M)			.7500 .7541	502,000.00 499,249.46	501,529.38 99.90625000000	1,453.71		826.21
SUBTOTAL (Inv Type) 43	PHLB DISCOUNT NOTES	.98%(M)			.7022 .7159	12,484,000.00 12,413,116.61	12,479,450.82 99.96356000000	57,421.20		8,913.01
SUBTOTAL (Inv Type) 51	BA, DOMESTIC	6.42%(M)			.7048 .7076	81,687,000.00 81,446,078.37	81,608,843.85 99.90432200000	112,216.23		52,238.14 -1,688.89
SUBTOTAL (Inv Type) 61	REPURCHASE AGREEMENTS	14.54%(M)			.2400 .2400	185,000,000.00 185,000,000.00	185,000,000.00 100.00000000000	1,233.33		.00
SUBTOTAL (Inv Type) 70	COMMERCIAL PAPER INT BE	15.01%(M)			.4615 .4615	190,867,000.00 190,867,000.00	190,867,000.00 100.00000000000	144,410.86		.00
SUBTOTAL (Inv Type) 71	COMMERCIAL PAPER DISCOU	11.79%(M)			.5241 .5250	150,000,000.00 149,820,906.95	149,979,166.67 99.98611100000	147,377.78		11,909.71 -1,027.77
SUBTOTAL (Inv Type) 72	NEGOTIABLE CERT OF DEPO	19.78%(M)			.8128 .8128	251,515,000.00 251,515,000.00	251,655,639.26 100.05591700000	347,262.86		140,639.26
SUBTOTAL (Inv Type) 73	CORP NOTE FLTG RT ACT-	.29%(M)			1.3828 4.8657	3,775,000.00 3,563,884.61	3,648,457.03 96.64786800000	8,977.72		87,172.28
SUBTOTAL (Inv Type) 75	CORPORATE NOTES	2.27%(M)			3.8221 3.3109	29,232,000.00 29,481,327.92	28,935,883.58 98.98701300000	360,761.86		217,706.90 -758,044.00
SUBTOTAL (Inv Type) 1000	TD WITH CALC CODE OF	4.72%(M)			.4502 .4502	60,003,076.96 60,003,076.96	60,006,518.61 100.00573600000	52,864.11		3,441.65

GRAND TOTAL

\* NET OF RETIREMENT \$1,485,000.00

1.2418	1265255943.88	1272002516.28	4,215,014.89	4,888,218.18
1.1231	1267348870.12	100.5332180000		-995,746.75

\* MARKET = BOOK LESS PURCHASE INTEREST