

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. See "TAX MATTERS" herein.

\$25,000,000
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
JOINT POWERS FINANCING AUTHORITY
FEDERALLY TAXABLE LEASE REVENUE BONDS, SERIES 2010
(QUALIFIED SCHOOL CONSTRUCTION BONDS)



Dated: Date of Delivery

Due: May 1, as shown on inside cover

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The above-captioned Bonds are issued by the San Ramon Valley Unified School District Joint Powers Financing Authority (the "Authority") and secured by a Trust Agreement and the pledge of Revenues thereunder, consisting primarily of Base Rental Payments to be made by the San Ramon Valley Unified School District (the "District") as lessee under a Facility Sublease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Bonds will be initially delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers of Bonds will not receive physical delivery. Principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which will in turn remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—Form and Registration."

Interest on the Bonds is payable on May 1 and November 1 in each year, commencing November 1, 2010. Principal will be paid as shown on the inside cover hereof. See "THE BONDS—Payment of Principal and Interest."

The Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

The District has designated the Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986, as amended. The proceeds of the Bonds will be used (i) to finance the construction, rehabilitation or repair of public school facilities, including the acquisition of land for and the equipping of the financed public school facilities, (ii) to fund a portion of capitalized interest on the Bonds through May 1, 2011; and (iii) to pay the costs incurred in connection with the issuance of the Bonds. See "THE BONDS" and "THE PROJECT" herein.

The District has covenanted under the Facility Sublease to make all Base Rental Payments and Additional Payments provided for therein and to annually budget and appropriate funds for all such Rental Payments. The District's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Facility, or any defect in title to the Facility, there is substantial interference with the District's right to use and occupy any portion of the Facility. See "RISK FACTORS—Abatement."

The Bonds are special obligations of the Authority and, to the extent set forth in the Trust Agreement, are payable solely from and secured by a first lien on and pledge of the Revenues and certain other moneys under the Trust Agreement. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest on the Bonds and the Authority has no taxing power. NEITHER THE BONDS NOR THE OBLIGATION OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS.

MATURITY SCHEDULE

See Inside Cover

The Bonds will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the District and the Authority by Stubbs & Leone, Walnut Creek, California, as Counsel to the District, and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about July 20, 2010.

STONE & YOUNGBERG

\$25,000,000
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
JOINT POWERS FINANCING AUTHORITY
FEDERALLY TAXABLE LEASE REVENUE BONDS, SERIES 2010
(QUALIFIED SCHOOL CONSTRUCTION BONDS)

MATURITY SCHEDULE

Maturity (May 1)	Principal Amount	Interest Rate	Yield*	CUSIP† (799427)
2012	\$ 360,000	2.397%	2.397%	AA7
2013	1,615,000	2.867	2.867	AB5
2014	1,615,000	3.520	3.520	AC3
2015	1,615,000	4.020	4.020	AD1
2016	1,615,000	4.524	4.524	AE9
2017	1,615,000	4.924	4.924	AF6
2018	1,615,000	5.254	5.254	AG4
2021	1,630,000	5.904	5.904	AK5
2022	1,635,000	6.104	6.104	AL3
2023	1,650,000	6.254	6.254	AM1

\$3,235,000 5.704% Term Bond due May 1, 2020; Yield* 5.704%; CUSIP† Number 799427 AJ8

\$6,800,000 6.654% Term Bond due May 1, 2027; Yield* 6.654%; CUSIP† Number 799427 AR0

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

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

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

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

* Reoffering yields furnished by the Underwriter. The District takes no responsibility for the accuracy thereof.

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**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION**

and

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
JOINT POWERS FINANCING AUTHORITY
GOVERNING BOARD**

Rachel Hurd, *Board President
and Chair*

Paul Gardner, *Board Vice President
and Vice Chair*

Greg Marvel, *Clerk*

Bill Clarkson, *Board Member*

Ken Mintz, *Board Member*

**DISTRICT ADMINISTRATION
and
AUTHORITY ADMINISTRATION**

Steven W. Enoch
*Superintendent
and
Executive Director*

Gary Black
*Assistant Superintendent, Business Services
and
Treasurer and Controller*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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San Francisco, California

Counsel to the District

Stubbs & Leone
Walnut Creek, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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\$25,000,000
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
JOINT POWERS FINANCING AUTHORITY
FEDERALLY TAXABLE LEASE REVENUE BONDS, SERIES 2010
(QUALIFIED SCHOOL CONSTRUCTION BONDS)

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (the “Official Statement”), provides certain information concerning the sale and delivery of the above-named bonds (the “Bonds”).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the San Ramon Valley Unified School District Joint Powers Financing Authority (the “Authority”) nor the San Ramon Valley Unified School District (the “District”) has any obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See “OTHER LEGAL MATTERS – Continuing Disclosure” herein.

Capitalized terms used herein and not otherwise defined herein are defined in APPENDIX A: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–Certain Definitions.”

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

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the resolutions and agreements providing for the issuance and payment of the Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is made to said documents and laws for the complete provisions thereof. Copies of documents referred to herein and information concerning the Bonds are available from the District through the Office of the Assistant Superintendent-Business Services, 699 Old Orchard Road, Danville, CA 94526. The District may impose a charge for copying, mailing and handling.

The District

The District, located in central Contra Costa County, California, encompasses an area of approximately 104 square miles, and serves students from the City of San Ramon, the Town of Danville, and the unincorporated communities of Alamo, Diablo, and Blackhawk, as well as a small portion of the cities of Walnut Creek and Pleasanton. The District is located about 30 miles east of San Francisco, in the San Ramon Valley, a largely residential area of the East Bay, at the western and southern fringes of Mt. Diablo.

The District operates 21 elementary schools, eight middle schools, four high schools, an independent study program, and a continuation high school program. Approximately 27,000 students are served in grades kindergarten through 12. The District adopted a 2009-10 general fund budget reflecting expenditures of approximately \$214.2 million. Total assessed valuation of taxable property in the District in Fiscal Year 2009-10 is approximately \$34.7 billion. The District operates under the jurisdiction of the Superintendent of Schools of Contra Costa County, although the District has attained “fiscal accountability” status under the State of California Education Code.

The District is governed by a Board of Education consisting of five members and one nonvoting student member. The voting members are elected to four-year terms in staggered years. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Steven W. Enoch was selected by the Board in 2008 to succeed the retiring superintendent who had served in that position since 1994. Mr. Enoch has over 30 years of experience in education, with 17 years of service as a school superintendent, including, most recently, as Superintendent for the San Juan Unified School District in Sacramento County, California.

For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION" herein.

THE BONDS

Overview of the Financing

The Bonds are being issued by the Authority pursuant to a Trust Agreement dated as of July 1, 2010 (the "Trust Agreement"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and acknowledged by the District.

The Bonds are limited obligations of the Authority payable solely from certain revenues of the Authority, consisting primarily of rental payments (the "Base Rental Payments") required to be made by the District for the use of certain real property (the "Demised Premises") and improvements located thereon (together with the Demised Premises, the "Facility"), as more fully described herein. The Facility will be leased by the District from the Authority pursuant to a Facility Sublease dated as of July 1, 2010 (the "Facility Sublease"), by and between the District, as lessee, and the Authority, as lessor. See "SECURITY FOR THE BONDS" herein.

The Bonds constitute "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). See "Authority for Issuance; Purpose," below, and "TAX MATTERS" herein.

Authority for Issuance; Purpose

The Bonds are issued pursuant to the Constitution and the laws of the State of California (the "State"), including relevant provisions of the Joint Exercise of Powers Act (being Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, referred to herein as the "Act"), resolutions adopted by the Authority and the District, and the Trust Agreement, to (i) finance construction, rehabilitation or repair of public school facilities, including the equipping of such facilities (the "Project"), (ii) to fund a portion of the interest on the Bonds through May 1, 2011; and (iii) pay the costs incurred in connection with the issuance of the Bonds.

The District received an allocation of qualified school construction bond issuance authority in the principal amount of \$25 million on August 28, 2009, upon application to the California Department of Education, which conducted a lottery among interested school districts to award \$700 million of the State of California's allocation from the U.S. Treasury. The Authority, on behalf of the District, has designated the Bonds as qualified school construction bonds under the Code. The Authority will receive refundable tax credits from the U.S. Treasury equal to substantially all of the interest due to Owners of the Bonds.

Under Section 54F of the Code ("Section 54F"), proceeds of qualified school construction bonds may be applied only to the construction, rehabilitation or repair of public school facilities, or the acquisition of land on which such a facility is to be constructed and to payment of costs of issuance not in excess of 2% of the issue price of said bonds. Internal Revenue Service Notice 2009-35, released April 3, 2009, provides that qualified school construction bond proceeds may also be expended for "costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired" with the proceeds of the related qualified school construction bonds. In accordance with Section 54F, the District must spend all of the proceeds of the Bonds within three years of the date of issuance, or apply remaining proceeds to redeem outstanding bonds. See "*—Redemption—Extraordinary Mandatory Redemption from Unexpended Proceeds of the Bonds,*" below.

Form and Registration of Bonds

The Bonds will be dated their date of delivery, and will be issued in fully registered form without coupons, in the denomination of \$5,000 principal amount or any integral multiple thereof.

The Bonds will be issued in fully registered book-entry form only, as current interest bonds without coupons, in denominations of \$5,000 principal amount each or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Principal of and interest on the Bonds will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its Participants for subsequent distribution to the beneficial owners of the Bonds. See APPENDIX F: “BOOK-ENTRY ONLY SYSTEM.”

Registered ownership of the Bonds may not be transferred except as described in Appendix F. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests.

Payment of Principal and Interest

The principal of the Bonds shall be payable on May 1 of each year shown on the inside cover of this Official Statement, or upon redemption prior thereto, as described herein.

The principal and any premium of the Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at such place as the Trustee shall designate for the purpose. So long as Cede & Co. or its registered assigns shall be the registered Owner of any Bonds, payment shall be made to Cede & Co. by wire transfer.

The Bonds shall bear interest at the rates per annum shown on the inside cover of this Official Statement, payable on May 1 and November 1 of each year, commencing November 1, 2010 (each, an “Interest Payment Date”). Each Bond authenticated and registered on any date prior to the close of business on April 15, 2011, shall bear interest from the date of said Bond. Each Bond authenticated during the period between the 15th day of the calendar month preceding an Interest Payment Date (the “Record Date”) and the close of business on such Interest Payment Date shall bear interest from such Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Bonds shall be payable in lawful money of the United States to the person whose name appears on the bond registration books maintained by the Trustee as the Owner thereof as of the close of business on the applicable Record Date for each Interest Payment Date, whether or not such day is a Business Day. Payment of the interest on any Bond shall be made by check or draft mailed by first class mail on each Interest Payment Date (or on the following Business Day, if the Interest Payment Date does not fall on a Business Day) to such Owner at such Owner’s address as it appears on such registration books or at such address as the Owner may have filed with the Trustee for that purpose; or upon written request of the Owner of Bonds aggregating not less than \$1,000,000 in principal amount, given no later than the Record Date immediately preceding the applicable Interest Payment Date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such Owner shall specify in its written notice. So long as Cede & Co. or its registered assigns shall be the registered Owner of any of the Bonds, payment shall be made by wire transfer.

Redemption

No Optional Redemption. The Bonds shall not be subject to optional redemption prior to their stated maturity dates, except as further described in this section.

Mandatory Sinking Fund Redemption. The \$3,235,000 Term Bond maturing on May 1, 2020, is also subject to mandatory sinking fund redemption on each Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (May 1)	Principal Amount To be Redeemed
2019	\$1,615,000
2020 [†]	1,620,000

[†] Maturity.

The \$6,800,000 Term Bond maturing on May 1, 2027, is also subject to mandatory sinking fund redemption on each Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (May 1)	Principal Amount To be Redeemed
2024	\$1,665,000
2025	1,690,000
2026	1,710,000
2027 [†]	1,735,000

[†] Maturity.

The principal amount of any maturity to be redeemed in each year shown in the tables above will be reduced proportionately by the amount of any Term Bonds of that maturity otherwise redeemed (as described in this section) prior to the mandatory sinking fund redemption date.

Extraordinary Mandatory Redemption from Unexpended Proceeds of the Bonds. The Bonds are subject to extraordinary mandatory redemption, in whole or in part, on the third anniversary of the date of delivery of the Bonds (as shown on the cover of this Official Statement), or any date on or before the 90th day after the end of any period negotiated with the IRS that extends the deadline to spend the Bond proceeds, in Authorized Denominations, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, plus accrued interest to the redemption date, but only to the extent of proceeds of the Bonds not expended by the later of (i) the third anniversary of the delivery date of the Bonds or (ii) the date to which such period is extended by the IRS, plus such amount as shall be necessary to cause the Bonds to be redeemed in Authorized Denominations.

Extraordinary Redemption from Insurance Proceeds. The Authority may, with the permission of the District and under the terms of the Facility Sublease, elect not to repair a destroyed or damaged portion of the Facility, and in that event, if the proceeds of insurance together with any other moneys then available for the purpose (including federal or State disaster relief) are at least sufficient to redeem an aggregate principal amount of outstanding Bonds, equal to the principal amount of Bonds attributable to the portion of the Facility so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facility bears to the total cost of the Facility), the Authority will cause said proceeds to be used for the redemption of that portion of the outstanding Bonds at a redemption price equal to the principal amount of the Bonds called for redemption.

Extraordinary Redemption from Eminent Domain Proceeds. The Authority shall cause the entire award in eminent domain to be used for the redemption of Outstanding Bonds at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest thereon to the redemption date, without premium.

Extraordinary Optional Redemption Due to Tax Law Change. The Bonds are subject to redemption prior to maturity at the option of the Authority upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part, on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, plus the Make-Whole Premium, if any, together with accrued interest to the date fixed for redemption.

The term “Tax Law Change” means legislation enacted by the Congress of the United States or passed by either House of the Congress, or a decision rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement made by or on behalf of the Treasury Department of the United States, the IRS or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Authority, would be to suspend, reduce or terminate the Authority’s right to receive any refundable tax credits from the U.S. Treasury with respect to the Bonds; provided, that such suspension, reduction or termination is not due to a failure by the Authority to comply with the requirements under the Code to receive such refundable tax credits.

The term “Make-Whole Premium” means, with respect to any Bond to be redeemed, an amount calculated by a Designated Banking Institution (as defined below) equal to the positive difference, if any, between:

- (1) The sum of the present values, calculated as of the date fixed for redemption of:
 - (a) Each interest payment that, but for the redemption, would have been payable on the Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Bond to the date fixed for redemption; plus
 - (b) The principal amount that, but for such redemption, would have been payable on the maturity date of the Bond or portion thereof being redeemed; minus
- (2) The principal amount of the Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Comparable Treasury Yield plus 100 basis points.

The term “Comparable Treasury Yield” means the yield appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Designated Banking Institution (as defined below) that is published weekly by the Board of Governors of the Federal Reserve system and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Bond being redeemed. The Comparable Treasury Yield will be determined at least two Business Days but no more than 45 calendar days preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price as of the date fixed for redemption.

The term “Comparable Treasury Issue” means the United States Treasury security selected by the Designated Banking Institution as having a maturity comparable to the remaining term to maturity of the Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Bond being redeemed.

The term “Comparable Treasury Price” means, with respect to any date on which a Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Designated Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Designated Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Designated Banking Institution, at 2:00 p.m. New York City time on a Business Day at least two Business Days but no more than 45 calendar days preceding the applicable date fixed for redemption.

The term “Designated Banking Institution” means an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the Authority (which may be an underwriter of the Bonds).

The term “Reference Treasury Dealer” means each of the four firms, specified by the Authority from time to time, that are primary United States Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

The term “Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or California are authorized to remain closed, or a day on which the Federal Reserve system is closed.

Notice of Redemption. Notice of redemption of any Bonds will be given by the Trustee upon the written request of the Authority given to the Trustee not less than 30 days prior to the redemption date. Notice of any redemption of Bonds will be mailed postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books of the Trustee, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement.

Each notice of redemption will contain all of the following information: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price, if available; (v) (if less than all of the Bonds are to be redeemed) the distinctive numbers of the Bonds to be redeemed; (vi) (in the case of Bonds redeemed in part only) the respective portions of the principal amount of the Bonds to be redeemed; (vii) the CUSIP number, if any, of the Bonds to be redeemed; (viii) a statement that such Bonds must be surrendered by the Owners at the place designated by the Trustee for the purpose, or at such other place or places designated by the Trustee; and (ix) notice that further interest on such Bonds will not accrue from and after the designated redemption date.

Effect of Notice. A certificate of the Trustee that notice of call and redemption has been given to Owners will be conclusive as against all parties. The actual receipt by the Owner of any Bond or any other party of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Bonds called for redemption is set aside for the purpose, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the Redemption Premium thereon, if any, only to the funds set aside for such purpose. All Bonds redeemed will be cancelled forthwith by the Trustee and will not be reissued.

Right to Rescind Notice. The Authority may rescind any redemption and notice thereof on any date prior to the date fixed for redemption by directing the Trustee in writing to give written notice of the rescission to the Owners of the Bonds called for redemption. Any extraordinary mandatory redemption and notice thereof will be rescinded if the District has cured the conditions that caused the Bonds to be subject to extraordinary mandatory redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Selection of Bonds for Redemption. The Authority shall designate which maturities of Bonds are to be redeemed. If less than all Outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are shown below.

SOURCES

Principal Amount of Bonds	\$25,000,000.00
Total Sources	\$25,000,000.00

USES

Project Fund	\$24,468,282.99
Capitalized Interest Account ⁽¹⁾	109,967.01
Underwriter’s Discount	198,750.00
Other Costs of Issuance ⁽²⁾	223,000.00
Total Uses	\$25,000,000.00

⁽¹⁾ Provides for a portion of Base Rental Payments through May 1, 2011.

⁽²⁾ Includes bond counsel fees, disclosure counsel fees, other legal fees, rating agency fees, printing costs, and other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE

Base Rental Payments are due on each May 1 and November 1.* Pursuant to the Trust Agreement, on each Interest Payment Date, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable, as shown in the following table.

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Fiscal Year Total</u>
November 1, 2010	--	\$378,851.72	\$378,851.72	--
May 1, 2011	--	675,181.28	675,181.28	\$1,054,033.00
November 1, 2011	--	675,181.28	675,181.28	--
May 1, 2012	\$360,000.00	675,181.28	1,035,181.28	1,710,362.56
November 1, 2012	--	670,866.68	670,866.68	--
May 1, 2013	1,615,000.00	670,866.68	2,285,866.68	2,956,733.36
November 1, 2013	--	647,715.65	647,715.65	--
May 1, 2014	1,615,000.00	647,715.65	2,262,715.65	2,910,431.30
November 1, 2014	--	619,291.65	619,291.65	--
May 1, 2015	1,615,000.00	619,291.65	2,234,291.65	2,853,583.30
November 1, 2015	--	586,830.15	586,830.15	--
May 1, 2016	1,615,000.00	586,830.15	2,201,830.15	2,788,660.30
November 1, 2016	--	550,298.85	550,298.85	--
May 1, 2017	1,615,000.00	550,298.85	2,165,298.85	2,715,597.70
November 1, 2017	--	510,537.55	510,537.55	--
May 1, 2018	1,615,000.00	510,537.55	2,125,537.55	2,636,075.10
November 1, 2018	--	468,111.50	468,111.50	--
May 1, 2019	1,615,000.00	468,111.50	2,083,111.50	2,551,223.00
November 1, 2019	--	422,051.70	422,051.70	--
May 1, 2020	1,620,000.00	422,051.70	2,042,051.70	2,464,103.40
November 1, 2020	--	375,849.30	375,849.30	--
May 1, 2021	1,630,000.00	375,849.30	2,005,849.30	2,381,698.60
November 1, 2021	--	327,731.70	327,731.70	--
May 1, 2022	1,635,000.00	327,731.70	1,962,731.70	2,290,463.40
November 1, 2022	--	277,831.50	277,831.50	--
May 1, 2023	1,650,000.00	277,831.50	1,927,831.50	2,205,663.00
November 1, 2023	--	226,236.00	226,236.00	--
May 1, 2024	1,665,000.00	226,236.00	1,891,236.00	2,117,472.00
November 1, 2024	--	170,841.45	170,841.45	--
May 1, 2025	1,690,000.00	170,841.45	1,860,841.45	2,031,682.90
November 1, 2025	--	114,615.15	114,615.15	--
May 1, 2026	1,710,000.00	114,615.15	1,824,615.15	1,939,230.30
November 1, 2026	--	57,723.45	57,723.45	--
May 1, 2027	1,735,000.00	57,723.45	1,792,723.45	1,850,446.90
TOTAL	\$25,000,000.00	\$14,457,460.12	\$39,457,460.12	\$39,457,460.12

*The Facility Sublease requires the District to make Base Rental Payments at least three days before each due date.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Base Rental Payments

The Bonds are secured by the Revenues, which consist primarily of the Base Rental Payments in arrears to be made by the District to the Authority under the Facility Sublease. Pursuant to the Facility Sublease, the Authority leases the Facility to the District. As rental for the use and occupancy of the Facility, the District covenants to pay Base Rental Payments to the Authority, which payments are pledged to the Trustee under the Trust Agreement for the benefit of the Owners of the Bonds. Pursuant to the Facility Sublease, the District will make periodic payments of Base Rental directly to the Trustee.

The Facility Sublease requires the District to make Base Rental Payments at least three days before the due dates of May 1 and November 1 in each year, commencing November 1, 2010. Base Rental Payments are calculated for twelve-month periods commencing on each May 1 and ending on April 30, except that the first Base Rental Payment is for the period commencing on the effective date of the Facility Sublease and concluding on April 30, 2011. The Base Rental Payments are calculated to generate sufficient Revenues to pay principal of and interest on the Bonds when due. The obligation of the District to make Base Rental Payments is subject to abatement under certain conditions. See "RISK FACTORS—Abatement". Base Rental Payments are not subject to acceleration in the event of default by the District.

The Trust Agreement requires that Base Rental Payments be deposited in the Revenue Fund maintained by the Trustee in trust for the benefit of the Owners. Pursuant to the Trust Agreement, on each Interest Payment Date, commencing on November 1, 2010, the Trustee will apply amounts on deposit in the Revenue Fund as necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable, as shown on the cover page hereof. A portion of the proceeds of the Bonds will be deposited concurrently with the issuance of the Bonds in the Capitalized Interest Account created under the Trust Agreement, and applied by the Trustee in satisfaction of a portion of the District's Base Rental Payment obligation through May 1, 2011. The requirement of the District to make the Base Rental Payment due on any Interest Payment Date shall be reduced to the extent of funds on deposit with and otherwise available to the Trustee under and in accordance with the Trust Agreement, including moneys in the Capitalized Interest Account and refundable tax credit amounts. Following payment of the amounts due on the Bonds on any Interest Payment Date, the Trustee shall refund to the District any refundable tax credits received for such payment.

The Bonds are special obligations of the Authority and, to the extent set forth in the Trust Agreement, are payable solely from and secured by a first lien on and pledge of the Revenues, consisting principally of the Base Rental Payments paid by the District under the Facility Sublease, and certain other moneys and securities held by the Trustee as provided in the Trust Agreement. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues and such other moneys and securities, and the Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest on the Bonds and the Authority has no taxing power. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Trust Agreement. Neither the Bonds nor the obligation of the Authority to pay the principal of and interest on the Bonds constitutes a legal obligation or debt of the District, the State of California or any of its political subdivisions.

In the event that the District determines to apply proceeds of insurance and other moneys to redeem bonds instead of making the repairs to the Facility, the Base Rental shall be abated and the Base Rental schedule in the Facility Sublease adjusted so that the Base Rental thereafter shall not be less than the amount necessary to enable the Authority to make all necessary and appropriate payments on and related to the Bonds Remaining Outstanding.

Additional Payments

The District will also pay such amounts (herein called the "Additional Payments") as required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the execution,

performance or enforcement of the Facility Sublease and the Trust Agreement, in connection with its interest in the Facility and the sublease of the Facility to the District, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Facility including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement; but not including in Additional Payments amounts required to pay the principal of or interest, if any, on the Bonds.

Covenant to Appropriate Funds

The District covenants under the Facility Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Sublease as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Property Insurance

The Facility Sublease requires the District to maintain or cause to be maintained, throughout the term of the Facility Sublease, insurance against loss or damage to any structures constituting any part of the Facility by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, and earthquake insurance (provided, with respect to earthquake insurance, only if available on the open market from reputable insurance companies at a reasonable cost as determined by the District). Such extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Facility, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$250,000 or comparable amount adjusted for inflation or more in the case of earthquake insurance), or in the alternative, will be in an amount and in a form sufficient (together with moneys held under the Trust Agreement), in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed. See "RISK FACTORS—Risk of Earthquake and Other Natural Disasters."

In the event of any damage to or destruction of any part of the Facility caused by the perils covered by such insurance, the Authority, except as hereinafter described, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facility, to at least the same condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will hold such proceeds in the Insurance and Condemnation Fund and will permit withdrawals upon written request of the District for such purposes. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance together with any other moneys then available for such purpose are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Base Rental attributable to the portion of the Facility so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Facility bears to the cost of the Facility), the Authority, with the written consent of the District, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facility and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the District covenant to promptly apply for federal or State disaster aid in the event that the Facility is damaged or destroyed and the District is unable to repair, replace, or rebuild the Facility from the net proceeds of insurance, if any. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Facility, or, at the option of the District and the Authority, to redeem Outstanding Bonds if such use of such disaster aid is permitted.

As an alternative to providing the fire and extended coverage insurance, or any portion thereof, required by the Facility Sublease, the District may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection will afford reasonable coverage for the risks required to be insured

against, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the District. So long as such method or plan is being provided to satisfy the requirements of the Facility Sublease, there will be filed with the Trustee a statement of an actuary, insurance consultant or other qualified person (which may be the Risk Manager of the District), stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facility Sublease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed a certificate of the District setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the District under the Facility Sublease will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

The District is also required to obtain certain liability insurance coverage in protection of the Authority and the Trustee. See APPENDIX A: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE FACILITY SUBLEASE—Insurance." See also, "Insurance, Risk Pooling and Joint Powers Arrangements" herein.

Rental Interruption Insurance

The Facility Sublease requires the District to maintain or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Facility as the result of any of the hazards covered by the fire and extended coverage insurance required by the Facility Sublease described in the preceding paragraphs (provided that earthquake insurance will be required only if it is available on the open market from reputable insurance companies at a reasonable cost, as determined by the District), in an amount sufficient to pay the part of the total rent attributable to the portion of the Facility rendered unusable (determined by reference to the proportion which the cost of such portion bears to the cost of the Facility) for a period of at least two years, except that such insurance may be subject to a deductible clause of not to exceed \$250,000 (or comparable amount adjusted for inflation or more in the case of earthquake coverage). Any proceeds of such insurance will be used by the Trustee to reimburse to the District any rental theretofore paid by the District under the Facility Sublease attributable to such structure for a period of time during which the payment of rental under the Facility Sublease is abated, and any proceeds of such insurance not so used will be applied to pay Base Rental Payments and Additional Payments.

THE FACILITY

The Facility consists of certain portions of an approximately ten-acre site and the school buildings located thereon, comprising the Creekside Elementary School, located at 6011 Massara Street in the Alamo Creek development of the Tassajara Valley, in Danville, California. The school buildings were completed for the District in September 2009 by the developer of the Alamo Creek housing development, Shapell Industries, under agreement with the District, and include approximately 70,000 square feet of usable space, consisting of a two-story classroom building, an administration/library building, a multi-purpose room, and a kindergarten building, as well as paved common areas, playground, landscaping, ball fields and hard-court play areas. The Facility excludes a 0.4-acre portion of the Creekside Elementary School, consisting of a 3,300-square foot building, enclosed play area, and adjacent parking, which portions are not subject to the Facility Lease or the Facility Sublease, since they have been sublet to a nonprofit corporation to operate a child care center supporting the District's Creekside School.

The Facility is a one- and two-story wood-frame structure, designed by Quattrocchi Kwok Architects of Santa Rosa, California and built to Field Act compliance under the supervision of the Division of State Architect. Sausal Corporation, San Leandro, California, served as general contractor.

The Facility is designed to serve approximately 700 students in grades K-5, operated by the District. The District acquired title to the Demised Premises, including the Facility, from Shapell Industries in September, 2009, in satisfaction of Shapell's developer fee obligation, at an imputed purchase price of \$42.75 million, including land valued at \$11.8 million. The District estimates the value of the Facility to be at least equal to the purchase price.

THE PROJECT

The proceeds of the Bonds are permitted to be used to finance the construction, rehabilitation or repair of public school facilities, including the acquisition of land for and the equipping of the financed public school facilities. The District expects to apply the net proceeds of the Bonds (i) to acquire and install school parking lot shade structures outfitted with photovoltaic (solar cell) electric-generating devices at each of six District school campuses in order to power schools and District facilities; (ii) to acquire and install related infrastructure, including security cameras and monitoring equipment; and (iii) for certain other qualified projects. The Project is expected to decrease operating costs and improve energy reliability. The Board of Education has selected SunPower Corporation Systems, San Jose, California, to provide and install the solar improvements. The District's contract with SunPower calls for design, acquisition and construction of the shade structures and photovoltaic electric-generating devices to commence in July 2010 and for final acceptance upon the completion of construction and installation by October 2011. The solar improvements are expected to generate, on average, over 6 million kilowatt-hours of power for the District each year, approximately 60% of the current power consumption at the sites where installed. Electricity is currently purchased from PG&E, the local investor-owned electric utility. The District has calculated that the general fund savings in payments to PG&E for electricity, together with expected rebate payments from State of California, will be greater than its Base Rental Payments obligation. The Project has an estimated useful life of 30 years.

The District's obligation to make Base Rental Payments does not depend upon completion or occupancy of the Project by the District, and damage to the Project is not an event giving rise to abatement of the Base Rental obligation. However, completion of the Project (whether the solar collectors or other authorized public school facilities projects under Section 54F of the Code) is required by the third anniversary of issuance of the Bonds or Bonds will be subject to redemption to the extent of the unexpended proceeds. See "THE BONDS—Redemption—Extraordinary Mandatory Redemption from Unexpended Proceeds of the Bonds" herein.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating any purchase of the Bonds. However, this discussion does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Bonds not a Debt of the District

The full faith and credit of the Authority is not pledged for the payment of the principal of or interest on the Bonds and the Authority has no taxing power. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Trust Agreement. NEITHER THE BONDS NOR THE OBLIGATION OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS.

Although the Bonds are a debt of the Authority, the Authority is only obligated to pay the Bonds from Revenues. Revenues include the Base Rental Payments due from the District under the Facility Lease, however the obligation of the District to make the Base Rental Payments does not constitute a debt of the District. The obligation of the District to make Base Rental Payments is in consideration of the right of the District to the continued use and occupancy of the Facility. In the event of substantial interference with the District's use and occupancy, the obligation of the District may be abated in whole or in part as described herein. See "Abatement" below.

Although the Facility Sublease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Facility Sublease to pay the Base Rental Payments from any source of legally available funds and the District has covenanted in the Facility Sublease that it will take such action as may be

necessary to include all Base Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The District has limited control over its revenue sources and expenditure obligations. **The District has no power of taxation to raise funds for payment of Base Rental Payments, and the full faith and credit of the District are not pledged or otherwise committed to cause payment of Base Rental Payments.** The District is currently liable, and may become liable, on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments. The District's other general operating costs, such as paying teacher salaries and maintaining open schools, create statutory and constitutional obligations of the District's general fund that may compete for limited funds with the obligation to make Base Rental Payments. See "FUNDING OF DISTRICT OPERATIONS" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

The District has the capacity to enter into other voluntary and contractual obligations which may constitute additional charges against its general revenues. To the extent that additional obligations are incurred by the District, the funds available to make Base Rental Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose, or be compelled, to fund other activities before making Base Rental Payments and other payments due under the Facility Sublease.

Abatement

The Base Rental Payments due under the Facility Sublease will be abated during any period in which by reason of any damage, destruction, title defect or condemnation, there is substantial interference with the use and occupancy by the District of any portion of the Facility. In such event, the obligation of the District to make Base Rental Payments shall be abated to the extent that the annual fair rental value of the portion of the Facility in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Payments, in which case Base Rental Payments shall be abated only by an amount equal to the difference. Such abatement shall commence with such damage, destruction or condemnation and end when possession and the ability to use and occupy is restored to the District. In the event of abatement of Base Rental Payment obligation, the term of the Facility Sublease and the Facility Lease may be extended until all amounts due thereunder and under the Trust Agreement are fully paid, but in no event later than May 1, 2037.

It is not possible to predict the circumstances under which such an abatement of Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of Rental Payments should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Facility Sublease or at the time of the abatement event. If the latter, it may be that the value of the Facility is substantially higher or lower than its value at the time of issuance of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Facility results in abatement or partial abatement of the Base Rental Payments and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal of and interest on the Bonds during the period that the Facility is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Facility Sublease and the Trust Agreement, no remedy is available to the Owners for nonpayment under such circumstances.

The Authority cannot terminate the Facility Sublease solely on the basis of such substantial interference. Abatement of Base Rental Payments is not an event of default under the Facility Sublease and does not permit the Authority to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Facility, see "APPENDIX A: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—THE FACILITY SUBLEASE—Rental Payments—Rental Abatement."

Seismic Factors; Absence of Earthquake and Flood Insurance

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, including the Hayward and Calaveras Faults, branches of the more famous San Andreas Fault underlying San Francisco and much of California. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of San Francisco, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings, highways and bridges in the Bay Area.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey, the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost \$100 billion of damage.

The obligation of the District to make Base Rental Payments may be abated if the Demised Premises or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The District is obligated under the Facility Sublease to procure and maintain, or cause to be maintained, earthquake insurance on the Facility, but only if such insurance is available at reasonable cost on the open market from reputable insurance companies, and the District does not expect to be able to procure such insurance on such terms. The Facility is located in a seismically active region. Rental interruption insurance required to be maintained under the Facility Sublease is not required to cover earthquake hazards.

In the event that any portion of the Facility, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which other amounts are available from other funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Facility or prepayment of the Bonds, there could be insufficient funds to make payments to Bond Owners in full.

Limited Recourse on Default

If the District defaults on its obligations to make Base Rental Payments, the Authority, may (subject to the restrictions described below) retain the Facility Sublease and hold the District liable for all Base Rental Payments on an annual basis and will have the right to re-enter and re-let the Facility. In the event such re-letting occurs, the District would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Authority may (subject to the restrictions described below) terminate the Facility Sublease with respect to the Facility and proceed against the District to recover damages pursuant to the Facility Sublease.

The Trustee has no lien on or security interest in the Facility or the Demised Premises or the Authority's leasehold interest under the Facility Lease, nor does the Trustee have or share in the Authority's rights as lessor under the Facility Sublease, and has no right to directly enforce the Facility Sublease or to directly exercise any right or remedy with respect to the Facility. The Authority agrees with the Trustee under the Trust Agreement for the benefit of Bondholders to promptly collect all Base Rental due under the Facility Sublease and to promptly and vigorously enforce its rights against the District in the event of nonpayment of Base Rental Payments as they become due. The Authority will at all times maintain and vigorously enforce, and take all steps, actions and proceedings reasonably necessary to enforce, all of its rights and remedies under the Facility Sublease, including re-letting the Facility for the benefit of the Bondholders, as it may be directed by the Trustee.

It is uncertain what remedies will be practically available to the Trustee in the event of a default, and the enforcement of any remedies may prove both expensive and time-consuming. Due to the specialized nature of the Facility, no assurance can be given that the Authority will be able to re-let any portion of the Facility so as to provide rental income sufficient to make payments of principal and interest evidenced by the Bonds in a timely manner, and the Authority is not empowered to sell the Facility for the benefit of the Owners of the Bonds. In addition, due to the governmental function of the Facility, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to

limitations on legal remedies against school districts in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Moreover, there can be no assurance that such re-letting, if permitted, would not adversely affect the eligibility of the Bonds as Qualified School Construction Bonds under the Code.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of the Base Rental Payments due over the term of the Facility Sublease. The District would only be liable for Base Rental Payments on an annual basis, and the Authority would be required to seek a separate judgment in each fiscal year for that fiscal year's unpaid Base Rental Payments.

Bankruptcy

In addition to the limitations on remedies contained in the Facility Sublease and the Trust Agreement, the rights and remedies provided in the Facility Sublease and the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The opinion of Bond Counsel to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Trust Agreement and the Facility Lease, by bankruptcy, reorganization, moratorium, insolvency or other similar laws affecting the enforcement of creditors' rights, to the application of equitable principals if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Facility Lease, and from taking any steps to collect amounts due from the District under the Facility Lease.

The Authority is also a public agency formed under California law. If the Authority were to file a Chapter 9 petition for protection from creditors, the Owners and the Trustee would likewise be restricted from enforcing rights under the Trust Agreement during the pendency of the bankruptcy case. The Authority's activities are limited and it generally does not have any assets or engage in activities that could give rise to debts and obligations other than obligations approved by the District and for the benefit thereof. The members of the Authority Governing Board are the sitting members of the Board of Education of the District.

Economic Conditions in California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's general fund revenues may significantly affect appropriations made by the State to school districts, including the District. Because close to one-third of the District's revenues derive from payments from the State, the District's revenues can vary significantly from year to year, even in the absence of significant education policy changes or changes in District student enrollment. See "FUNDING OF DISTRICT OPERATIONS—State Funding of Education; State Budget Process" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 98 and Proposition 111."

Self-Insurance

Pursuant to and under the circumstances described in the Facility Sublease, the District is permitted to self-insure for standard comprehensive public entity liability insurance. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Property Insurance." However, no assurance can be given that such self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise. The Facility Sublease does not permit the District to self-insure for rental interruption insurance.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of November 1, 2009, by and between the District and California Municipal Finance Authority, a separate California joint powers authority. The Authority is authorized pursuant to the Act to assist in the financing and refinancing of public capital improvements for the benefit of the District. The Authority functions as an independent entity and its policies are determined by its Governing Board. The Governing Board of the Authority is composed at all times of the sitting members of the District Board of Education. The officers of the Authority are the Superintendent and Assistant Superintendent-Business Services of the District. The current officers of the Authority are Steven W. Enoch, Executive Director, and Gary Black, Treasurer and Controller. The Authority has no employees and all staff work is done by the District staff or by consultants to the Authority.

FUNDING OF DISTRICT OPERATIONS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund, a local portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution, and any special "categorical" funding from State for which District programs may be eligible. The District receives approximately 27% of its general fund revenues from State funds, budgeted at approximately \$56.6 million in Fiscal Year 2009-10. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

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

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the amended 2009-10 Budget Act on July 28, 2009.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White* decision, the District might find it necessary

to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White* decision to have any long-term effect on its operating budgets.

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, as the State did in 2004-05; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

On May 20, 2010, a plaintiff class of numerous current California public school students and public school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association, filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance and to design, enact, fund and implement a system of public school finance that is intentionally, rationally and demonstrably aligned with the State's prescribed educational program and provides equal access and an equal educational opportunity to all school-aged children in the State. The District is not a party to the *Robles-Wong* litigation, and cannot predict the outcome or impact of the litigation.

2009-10 State Budget. On September 24, 2008, the Governor signed the State budget for Fiscal Year 2008-09, the latest budget approval in State history. It is widely acknowledged that even by the time of its passage, the budget's revenue estimates were already too optimistic, in light of continuing weak performance in the California economy and unprecedented adverse developments in the global and national financial markets, particularly after September 15, 2008. The Governor declared a fiscal emergency in December 2008, and called three concurrent special legislative sessions in order to address the budget deficit then estimated to be \$42 billion. In the face of growingly negative estimates of State tax receipts during Fiscal Year 2008-09, the Governor signed

the State's Fiscal Year 2009-10 Budget Act on February 20, 2009 (the earliest date on record), essentially as a revised two-year budget settlement for Fiscal Years 2008-09 and 2009-10. However, after the failure in May 2009 of six revenue and spending propositions on the statewide ballot deemed essential to success of the budget bill, work began again on a Fiscal Year 2009-10 budget plan. On July 24, 2009, the Legislature approved a new budget package, which the Governor signed on July 28, 2009. For an accurate view of current Proposition 98 funding, one must treat these three recent budgets as a whole, and consider also the significant adjustments that have been left to future budget years.

The amended 2009-10 State Budget consisted of some 30 separate bills; subsequent legislation may yet affect final budget totals. Indeed, if the economy worsens, the assumptions in even the amended 2009-10 State Budget may prove unsustainable, and further cuts and revisions may be needed. The following information relating to the funding of elementary and secondary education is adapted from the budget summaries prepared by the Legislative Analyst's Office, the Governor's office, and other sources.

The amended 2009-10 State Budget achieves balance through spending cuts, additional revenue generation, borrowing from local governments and others, revenue shifts from redevelopment agencies, and other accounting changes; all of these techniques are also present in the adopted Proposition 98 funding plan. Fiscal Year 2009-10 Proposition 98 funding is established at \$44.6 billion (\$3.7 billion less than the February 2009 adopted amount). Over \$10.1 billion in mandated Proposition 98 funding is deferred to future years: the so-called "maintenance factor." Of budgeted Proposition 98 funding, \$1.7 billion is shifted to school districts from property taxes and other moneys belonging to redevelopment agencies. Funding is also delayed in several ways: \$2 billion is deferred from the first months of Fiscal Year 2009-10 to December 2009 and January 2010, while \$1.8 billion is deferred to August 2010. See also "—Deferral of State Apportionments" in this section below. Mandated settle-up payments of \$450 million for prior years under the Quality Education Investment Act are also deferred, effectively to 2014-15. Cost-of-living adjustments of over 18% are deferred, creating a future obligation of well over \$6.5 billion. Categorical funding of \$1.6 billion intended for Fiscal Year 2008-09 that had not been funded by June 30, 2009, is treated as Fiscal Year 2009-10 categorical funding, but an equal amount of minimum guarantee funding is eliminated. For those districts that would otherwise receive no Proposition 98 minimum guarantee funding from the State, categorical funding is reduced by \$80 million. In addition, the Governor vetoed \$3.9 million of approved spending for special education transportation costs.

State budgetary savings are also achieved by lifting various mandates and restrictions on local school districts: full flexibility is allowed to spend funding for 42 categorical programs as districts wish through 2012-13; class-size reduction in grades K-3 is largely suspended, and the minimum days of instruction are reduced from 180 to 175, through reduced or suspended financial penalties on districts that do not meet existing requirements; districts are excused from buying new approved instructional materials; proceeds of surplus land sales otherwise restricted to capital improvements are permitted to be used for general fund expenditures through 2011; the general fund reserve requirement is reduced to one-third of the otherwise applicable percentage (3% of expenditures for a school district with average daily student attendance of up to 30,000), provided this is restored by 2011-12; the routine maintenance reserve requirement of 3% of general fund expenditures is reduced or suspended; and school districts that project they will not meet financial guidelines due to loss of federal stimulus funding in Fiscal Years 2011-12 and 2012-13 will not have their budgets negatively rated as a result.

The State Legislature has not yet adopted its 2010-11 State budget, and the District can make no predictions as to the overall level of State education funding or its own State income in Fiscal Year 2010-11. The District takes no responsibility for informing Owners of the Bonds as to actions the State Legislature or Governor may take with respect to adoption of the State budget or changes thereto throughout 2010-11. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Deferral of State Apportionments. On March 1, 2010, the Governor signed urgency legislation approved by the Legislature in extraordinary session that requires deferral of State apportionments to school districts and certain other agencies from March 2010 to between April 15 and April 28, 2010, if determined to be necessary to meet cash balance requirements of the State. The legislation also authorizes deferral of certain payments during the 2010-11 fiscal year for K-12 schools (not to exceed \$2.5 billion in the aggregate at any one time) and payment modifications to the State Teachers' Retirement System.

In accordance with this legislation, on March 30, 2010, the State Controller, State Treasurer and Director of Finance of the State jointly declared to the Legislature and State Department of Education the expected amounts and timing of payment deferrals for the 2010-11 Fiscal Year. The declaration announced planned deferrals in the July 2010 apportionment of 60 days; in the October 2010 apportionment of 90 days; and in the March 2011 apportionment to April 29, 2011. The Controller, Treasurer and Director of Finance have the authority to move these deferrals to the prior month or delay to the subsequent month upon 30 days' written notice to the Legislative Budget Committee. In total, the Department of Finance estimates all deferrals authorized under the legislation (which includes deferrals to community colleges, social services and other entities receiving State funds in addition to the deferrals to school districts) will improve the State's cash position by up to \$5.3 billion in certain months, thereby reducing the need for external cash management borrowing or other measures.

Certain school districts that can demonstrate hardship will not be subject to apportionment deferrals. While the District believes this legislation could affect the District's cash flow and interest income, it expects the effects to be similar to the delays in State apportionments it frequently experiences due to delay in adoption of the State budget, as described above. See "*Adoption of Annual State Budget*" in this section.

Proposition 1A. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the 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. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election.

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

The amended 2009-10 State Budget includes a Proposition 1A diversion of \$1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending for education and other programs. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amended 2009-10 State Budget diverts another \$1.7 billion in local property tax revenues from local redevelopment agencies (with another \$350 million to be diverted in 2010-11), but this is not covered by Proposition 1A. The California Redevelopment Association and two redevelopment agencies filed a lawsuit in October 2009 challenging the constitutionality of this diversion. On May 4, 2010, a Sacramento County Superior Court ruled that the diversion was permitted and ordered redevelopment agencies to make the required transfers. Although the CRA has filed an appeal, the court denied the CRA's request for a stay from the order pending appeal.

District Revenues

General. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A.").

The base revenue limit is calculated from each school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

The District's base revenue limit per A.D.A. is budgeted to be \$6,361 for Fiscal Year 2009-10, compared to an estimated \$6,100 for Fiscal Year 2008-09. However, the State only funded \$5,621 of the base revenue limit per A.D.A. in Fiscal Year 2008-09, and in Fiscal Year 2009-10, the State's budget provides funding for only \$5,194 per A.D.A.

The principal component of local revenues is the school district's property tax revenues; that is, the District's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. The more local property taxes a district receives, the less State equalization aid it is entitled to. Ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known colloquially as "basic aid districts." Districts that receive some equalization aid are commonly referred to as "revenue limit districts."

The District is currently a "revenue limit district." Local property tax revenues account for 86% of the District's aggregate revenue limit income, and are budgeted to be \$119 million, or 57% of total general fund revenue in 2009-10. For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Effect of Changes in Enrollment. Changes in local property tax income and student enrollment (or A.D.A.) affect revenue limit districts and basic aid districts differently.

In a revenue limit district, increasing enrollment increases the total revenue limit and thus increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In basic aid districts, the opposite is generally true: increases in property tax collections directly increase the district's available operating revenues, while increasing enrollment does virtually nothing to affect district revenues. Since all revenue limit income (and more) is already generated by local property taxes, increased enrollment does not increase State aid to the district. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a basic aid district. Accordingly, the District has undertaken measures to ensure that only residents and other authorized students are enrolled at District schools.

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

In its adopted budget for 2009-10, the District has budgeted to receive \$138.8 million in aggregate revenue limit income, or approximately 66% of its total general fund revenues. This amount represents a decrease of approximately 6% from the \$148.4 million that the District received in 2008-09.

The District’s recent A.D.A. history for kindergarten through grade 12, including special education, is set forth in the table below.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
K-12 STUDENT ENROLLMENT
(Second Period Average Daily Attendance, or “P-2 ADA”)**

<u>Year</u>	<u>A.D.A.</u>	<u>% Change</u>
1998-99	19,096	---
1999-00	19,481	2.02%
2000-01	19,929	2.30
2001-02	20,333	2.03
2002-03	20,804	2.32
2003-04	21,303	2.40
2004-05	22,147	3.96
2005-06	23,090	4.26
2006-07	23,918	3.59
2007-08	25,170	5.23
2008-09	26,217	4.16
2009-10	27,112 ⁽¹⁾	3.41

⁽¹⁾ District’s P-2 report to State, April 23, 2010.

The District adopted its own Fiscal Year 2009-10 budget prior to the adoption of the amended 2009-10 State Budget on July 28, 2009. On November 10, 2009, the District adopted revisions to its budget in response to the State Budget. Further adjustments are made throughout the year based on actual State funding and actual attendance. The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State’s ability to meet the revenue and spending assumptions in the State’s adopted budgets, and the effect of these changes on school finance. The District’s adopted budget and budgeted A.D.A. are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance or the District’s actual funding level for Fiscal Year 2009-10 or future years.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 57% of its total operating revenues from local property taxes.

All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio*

treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2009-10 assessed value of approximately \$34.7 billion. Under Proposition 13, an amendment to the California Constitution adopted in 1978, the assessed value of all real property in the State was established as the Fiscal Year 1975-76 value, or, thereafter, as the appraised value of such property when purchased, newly constructed, or a change in ownership occurs. Assessed value of property that has not changed ownership may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction, market forces or other factors. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Limitations on Revenues—*Article XIII A of the California Constitution*,” herein. As a result, property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property, while similar property that has recently been acquired may have a substantially higher assessed value, reflecting the recent acquisition price. Increases in assessed value in a taxing area due to the change in ownership of property may occur even when the rate of inflation or consumer price index do not permit a full 2% increase in assessed valuation of property that does not change ownership. One impact of Proposition 13 has been that assessed valuation does not tend to rise as quickly as market value, but instead gradually changes as older residential properties are transferred and reassessed upon such transfer.

For assessment and tax collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Shown in the following table is a recent history of the assessed valuation of property in the District. California law requires that the assessment roll be finalized by August 20 of each year.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Real Property Assessed Valuation Fiscal Years 1996-97 through 2009-10

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>Percent Change</u>
1996-97	\$12,639,442,745	\$ 8,378,517	\$387,986,913	\$13,035,808,175	--
1997-98	13,219,377,895	3,486,111	400,455,808	13,623,319,614	4.51%
1998-99	14,289,384,208	12,032,571	414,173,083	14,715,589,860	8.02
1999-00	15,560,485,260	359,772	389,604,370	15,950,449,402	8.39
2000-01	17,044,335,109	359,772	432,459,995	17,477,154,876	9.57
2001-02	18,973,640,814	381,584	513,646,741	19,487,287,555	11.50
2002-03	20,591,112,709	381,584	495,773,772	21,087,268,065	8.21
2003-04	22,564,175,791	381,584	509,592,471	23,074,149,846	9.42
2004-05	24,481,694,419	381,584	458,881,022	24,940,957,025	8.09
2005-06	27,477,540,099	488,365	447,158,445	27,925,186,909	11.97
2006-07	30,951,805,499	801,750	503,065,924	31,455,673,173	12.64
2007-08	33,490,205,068	488,449	537,016,253	34,027,709,770	8.18
2008-09	34,803,049,136	488,449	566,872,339	35,370,409,924	3.95
2009-10	34,176,245,890	1,645,966	545,779,373	34,723,671,229	-1.83

Source: California Municipal Statistics, Inc.

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies,

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

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor, who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the County Assessor. The County Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer. The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause local property tax income to decline, and require an adjustment in State funding. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County against all taxing agencies who received tax revenues, including the District.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the Fiscal Year 2009-10 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2009-10

	Assessed Valuation		Parcels	
	2009-10 Assessed Value ⁽¹⁾	% of Total	No. of Taxable Parcels	% of Total
Non-Residential:				
Commercial/Office	\$ 2,755,515,502	8.06%	516	1.03%
Agricultural	265,014,478	0.78	267	0.53
Industrial	190,721,006	0.56	43	0.09
Government/Social/Institutional	176,971,559	0.52	401	0.80
Recreational	96,912,022	0.28	101	0.20
Vacant Commercial	17,354,388	0.05	20	0.04
Miscellaneous	16,706,711	0.05	215	0.43
Vacant Industrial	414,638	0.00	3	0.01
Subtotal Non-Residential	\$3,519,610,304	10.30%	1,566	3.14%
Residential:				
Single Family Residence	\$ 26,236,410,167	76.77%	38,491	77.11%
Condominium/Townhouse	2,945,766,111	8.62	8,485	17.00
Vacant Residential	633,684,574	1.85	1,021	2.05
5+ Res. Units/Apartments	620,178,774	1.81	104	0.21
Rural Residential	197,829,851	0.58	205	0.41
2-4 Residential Units	22,616,909	0.07	41	0.08
Mobile Home	149,200	0.00	6	0.01
Subtotal Residential	\$30,656,635,586	89.70%	48,353	96.86%
Total	\$34,176,245,890	100.00%	49,919	100.00%

⁽¹⁾ 2009-10 local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Residential Properties. The following table shows the assessed valuation of single family homes located in the District for Fiscal Year 2009-10. Single family homes constitute approximately 77% of all assessed valuation in the District.

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel 2009-10 Assessed Valuation of Single Family Residential Homes**

	No. of <u>Parcels</u>	2009-10 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	38,491	\$26,236,410,167	\$681,625	\$625,000

<u>2009-10 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	1,134	2.946%	2.946%	\$ 87,123,988	0.332%	0.332%
\$100,000 - \$199,999	2,326	6.043	8.989	337,486,155	1.286	1.618
\$200,000 - \$299,999	2,268	5.892	14.881	572,869,560	2.183	3.802
\$300,000 - \$399,999	3,203	8.321	23.203	1,129,341,930	4.304	8.106
\$400,000 - \$499,999	4,235	11.003	34.205	1,913,370,513	7.293	15.399
\$500,000 - \$599,999	4,804	12.481	46.686	2,631,831,981	10.031	25.430
\$600,000 - \$699,999	4,687	12.177	58.863	3,039,155,100	11.584	37.014
\$700,000 - \$799,999	4,804	12.481	71.344	3,590,487,883	13.685	50.699
\$800,000 - \$899,999	3,296	8.563	79.907	2,785,799,748	10.618	61.317
\$900,000 - \$999,999	2,228	5.788	85.695	2,095,296,401	7.986	69.304
\$1,000,000 - \$1,099,999	1,450	3.767	89.462	1,512,238,517	5.764	75.067
\$1,100,000 - \$1,199,999	834	2.167	91.629	951,050,914	3.625	78.692
\$1,200,000 - \$1,299,999	665	1.728	93.357	827,115,324	3.153	81.845
\$1,300,000 - \$1,399,999	529	1.374	94.731	708,845,722	2.702	84.547
\$1,400,000 - \$1,499,999	401	1.042	95.773	578,017,847	2.203	86.750
\$1,500,000 - \$1,599,999	331	0.860	96.633	510,562,151	1.946	88.696
\$1,600,000 - \$1,699,999	200	0.520	97.153	328,101,223	1.251	89.946
\$1,700,000 - \$1,799,999	199	0.517	97.670	346,087,652	1.319	91.265
\$1,800,000 - \$1,899,999	131	0.340	98.010	240,898,128	0.918	92.184
\$1,900,000 - \$1,999,999	110	0.286	98.296	213,426,442	0.813	92.997
\$2,000,000 and greater	<u>656</u>	<u>1.704</u>	100.000	<u>1,837,302,988</u>	<u>7.003</u>	100.000
Total	38,491	100.000%		\$26,236,410,167	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2009-10 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2009-10, no single taxpayer owned more than about 1.7% of the total taxable property in the District. Each taxpayer listed is a unique name on the tax rolls; the District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2009-10

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	Percent of Total ⁽¹⁾
1.	Shapell Industries Inc.	Res. Properties	\$ 568,802,905	1.66%
2.	Chevron USA Inc.	Office Building	402,470,074	1.18
3.	Sunset Land Co/Sunset Bldg Co LLC	Office Building	366,889,511	1.07
4.	Essex Portfolio LP/Essex S. Ramon Ptrs. LP	Apartments	245,713,771	0.72
5.	SDC 7	Office Building	155,235,950	0.45
6.	Annabel Investment Co.	Office Building	102,661,624	0.30
7.	Alexander Properties Co.	Office Building	93,125,412	0.27
8.	Legacy III SR Crow Canyon LLC	Office Building	87,720,000	0.26
9.	Wittschen Capital Resources LP	Shopping Center	72,571,591	0.21
10.	San Ramon Regional Medical Center	Hospital	67,083,217	0.20
11.	Centex Homes	Res. Properties	64,700,102	0.19
12.	BRE Properties Inc.	Apartments	54,137,512	0.16
13.	Lennar Homes of California Inc.	Res. Properties	51,021,713	0.15
14.	Ardenwood Devel. Association	Res. Properties	50,863,824	0.15
15.	Regency Centers LP	Shopping Center	50,663,855	0.15
16.	Cedar Grove Apartments	Apartments	48,052,832	0.14
17.	San Ramon Reflections LLC	Apartments	47,578,974	0.14
18.	VIF & ZKS Norris Tech Center LLC	Industrial	47,462,523	0.14
19.	WL Homes LLC/WL Homes Norris Cyn LLC	Res. Properties	46,973,657	0.14
20.	230 Alamo Plaza Inc.	Shopping Center	<u>45,930,363</u>	<u>0.13</u>
	TOTAL		\$ 2,669,659,410	7.81%

⁽¹⁾ 2009-10 local secured assessed valuation: \$34,176,245,890

Source: California Municipal Statistics, Inc.

Tax Rates

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

The following table summarizes the total *ad valorem* property tax rates levied by all taxing entities for the last several years in a typical tax rate area (“TRA”) of the District: TRA 16-002. TRA 16-002 contains approximately 16% of the assessed valuation of the District’s taxable property.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Typical Tax Rate per \$100 Assessed Valuation TRA 16-002

	2005-06	2006-07	2007-08	2008-09	2009-10
	<u>Tax Rate</u>				
County-wide Rate ⁽¹⁾	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 USD	0.0514	0.0533	0.0517	0.0519	0.0587
Contra Costa Comm. Coll. Dist.	<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>

⁽¹⁾ Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the Constitution.
Source: California Municipal Statistics, Inc..

Tax Collections and Delinquencies

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

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

Annual bills for property taxes on the unsecured roll are generally issued in July, are due in a single payment within 30 days, and become delinquent after August 31. A ten-percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer may also bring a civil suit against the taxpayer for payment.

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

The following table shows a recent history of real property tax collections and delinquencies in the District.

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

<u>Fiscal Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
1995-96	\$148,175,028.40	\$2,908,135.07	1.96%
1996-97	152,970,889.69	2,825,734.96	1.85
1997-98	159,480,505.64	1,928,166.95	1.21
1998-99	170,730,161.56	2,107,216.03	1.23
1999-00	181,518,445.25	2,138,974.73	1.18
2000-01	197,013,915.13	2,313,017.60	1.17
2001-02	226,937,987.14	2,372,673.09	1.05
2002-03	244,490,274.16	2,800,917.48	1.15
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

⁽¹⁾ 1% general tax apportionment.

Source: California Municipal Statistics, Inc.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers 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 County applies the Teeter Plan to taxes levied for repayment of school district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under The No Child Left Behind Act (NCLB) of 2001 (PL 107-110), specialized programs such as Teacher Quality, Title I/Elementary and Secondary Education Act (ESEA), immigrant education, and various incentives under the American Recovery and Reinvestment Act (ARRA). Federal revenues, most of which are restricted, comprise approximately 5% of the District’s general fund budgeted revenues in 2009-10.

Other State Revenues. In addition to State apportionments for Proposition 98 funding, the District receives substantial Other State Revenues. These Other State Revenues, or categorical funds, are ordinarily restricted to specific programs or items; however, as part of the 2009-10 State Budget, general spending flexibility was given to school districts for most categorical funds through 2012-13. State categorical revenues are budgeted at \$36.9 million, including the State lottery fund portion, comprising approximately 18% of the District’s general fund budgeted revenues in 2009-10. Lottery funds may not be used for non-instructional purposes, such as the

acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's total State lottery revenue is budgeted at \$3.3 million, or about 1.6% of general fund revenue in 2009-10.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprised approximately 11% of the District's general fund revenues in 2009-10. Other local revenues include parcel taxes, donations, and a portion of the redevelopment pass-through moneys described below, as well as items such as rent, interest, fees and contracts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Limitations on Revenues—*Article XIIC and Article XIID of the California Constitution.*"

Parcel Tax. In May 2009 at an all-mailed ballot election held in the District, over two-thirds of those voting approved a qualified special tax (usually referred to as a "parcel tax") of not more than \$144 per parcel per year 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. The 2009 tax measure replaced a measure approved in 2004 at \$90 per parcel per year. In 2008-09, the District received \$4.2 million in parcel tax revenues from the prior measure (approximately 1.8% of total general fund revenue). Revenues from the renewed tax in 2009-10 are budgeted at \$6.6 million. These may be used to remedy cuts in State funding, retain teachers, maintain math, science, literacy and other academic programs, and to purchase instructional equipment, materials and supplies.

Foundation. The San Ramon Valley Education Foundation, a nonprofit public benefit corporation, provides financial support to District schools through individual teacher grants. Grants totaling approximately \$116,000 and \$147,000 were awarded in 2007-08 and 2008-09, respectively. The support is to supplement, not supplant, the resources available to District programs through normal tax revenues and State funds, and therefore is not properly viewed as an additional District resource. Accordingly, the District does not take the Foundation's funding into account in developing the District's budgets.

Redevelopment Pass-Through Payments. Under California law, a city or county can create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. Property taxes levied for repayment of local bonds approved after January 1, 1987, are not affected by redevelopment agency claims on local tax increment.

As to operating revenues, any loss of local property taxes that contribute to the revenue limit target of a revenue limit district is made up by an increase in State equalization aid, until the base revenue limit is reached. "Pass-through" payments of local tax revenues required by law to be paid to the school district by a local redevelopment agency will count toward the revenue limit, except for any portion dedicated to capital facilities or deferred maintenance.

For basic aid districts, the State will not make the district whole for loss of tax increment to the redevelopment agency unless and only to the extent that such loss reduces the district's local property tax revenues below the district's revenue limit. In addition, the basic aid district may be entitled to a pass-through payment from the redevelopment agency: for any redevelopment project plan adopted or amended after 1993, a basic aid district is entitled to its pre-plan share of taxes collected district-wide, plus the lesser of (i) property tax revenues from the incremental growth in assessed valuation in that part of the district not included in the project area, and (ii) property tax revenues on 80% of the incremental growth in assessed valuation within the project area. For any redevelopment plan adopted before 1994 and not subsequently amended, either a revenue limit district or a basic aid district may continue to receive pass-through payments at the level negotiated with the redevelopment agency instead of the statutory pass-through; such payments do not count against the district's revenue limit for State aid purposes, but must generally be used for capital facilities improvements.

The Town of Danville and the City of San Ramon have each created redevelopment project areas overlapping the District's boundaries, and have negotiated pass-through agreements with the District, pursuant to

which the District received pass-through payments in Fiscal Year 2008-09 of \$821,478, and expects to receive \$740,715 in Fiscal Year 2009-10.

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in each recent year as shown in the table below. The District’s notes are a general obligation of the District, payable from the District’s general fund and any other lawfully available moneys. The District did not issue tax and revenue anticipation notes for Fiscal Year 2006-07 or 2007-08. All required set-asides of moneys to repay the notes issued on July 1, 2009 have been made.

<u>Issuance Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Due Date</u>
11/18/2003	\$18,700,000	1.205%	1.48%	11/17/2004
10/18/2005	23,920,000	4.25	2.965	10/25/2006
---	---	---	---	---
11/18/2008	25,000,000	3.25	1.28	11/17/2009
11/17/2009	30,000,000	2.000	0.400	11/16/2010

District Expenditures

The largest part of each school district’s general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. 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.

In its 2009-10 budget, the District has provided for \$183.5 million in salaries and benefits expenditures, or approximately 85.7% of its general fund expenditures. This amount represents virtually no change from the \$183.5 million the District expended in 2008-09.

Labor Relations. The District’s certificated and classified employees are represented by four formal bargaining organizations as shown in the table below. In addition, certain supervisors and management employees, an aggregate of 108 full-time equivalent positions, 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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Labor Relations

<u>Labor Organization</u>	<u>Number of FTE Employees</u>	<u>Contract Expiration Date^(a)</u>
San Ramon Valley Education Association	1,379	June 30, 2013
California School Employees Association Unit II	282	June 30, 2011
California School Employees Association Unit III	289	June 30, 2011
Service Employees International Union	<u>177</u>	June 30, 2013
Total	2,127	

^(a) All contracts are subject to annual re-openers.

Retirement Programs. The District participates in the State Teachers’ Retirement System (“STRS”) for all full-time and some part-time certificated employees. Each school district is required by statute to contribute 8.25% of eligible employees’ salaries to STRS on a monthly basis. Employees are required to contribute 8.0% of eligible salary. The State is required to contribute as well. The District’s employer contribution to STRS was \$8.77 million for Fiscal Year 2008-09 and is budgeted at \$8.9 million in Fiscal Year 2009-10.

The District also participates in the California Public Employees' Retirement System ("CalPERS") for all full-time and some part-time classified employees. The District is required to contribute toward CalPERS, at a State-determined percentage of CalPERS-eligible salaries. For Fiscal Year 2009-10, the contribution percentage is 9.709%. In the current budget year, the total contribution (all funds) is budgeted at \$3.07 million compared to a Fiscal Year 2008-09 expense of \$2.92 million.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. STRS and CalPERS liabilities are more fully described in APPENDIX B: "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2009," Note 12.

Other Post-Employment Benefits. In addition to the pension benefits described above, the District provides post-employment 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 ten years of District eligible service. The District also provides retiree health benefits for eligible management and confidential employees hired before July 1, 2004. The District contribution for these eligible retirees varies by date of employment and date of retirement.

Beginning in Fiscal Year 2007-08, the District was required to implement Governmental Accounting Standards Board Statement No. 45 ("GASB 45") which directs certain changes in accounting for post-employment health benefits (OPEBs) in order to quantify a government agency's current liability for future benefit payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations. In September 2009, The Eppler Company, San Diego, California, completed two studies of the District's outstanding post-employment benefit obligations as of July 1, 2009; one for the bargaining units, and one for management and confidential employees.

Bargaining Unit Members: The report calculates the value of all future benefits already earned by current retirees and current employees, known as the "actuarial accrued liability" (AAL). As of the date of the report, the District had an actuarial accrued liability of approximately \$49.1 million for 581 current bargaining unit retirees and beneficiaries and 1,917 additional future participants. The AAL is an actuarial estimate that depends on a variety of assumptions about future events such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the "normal cost", which is added to the AAL. The report estimated the normal cost at \$1.4 million as of July 1, 2009. To the extent that the District has not set aside moneys in an OPEB trust with which to pay these accrued and accruing future liabilities, there is an *unfunded* actuarial accrued liability (UAAL). As of the date of the report, the District had set aside approximately \$9.9 million in such a trust (the California Employers' Retiree Health Benefit Trust), leaving \$39.2 million unfunded. The District has budgeted an additional fiscal year 2009-10 contribution to the OPEB trust of \$1.9 million. The annual required contribution (ARC) is the amount required if the District were to fund each year's normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the UAAL will be fully funded over a 28-year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. The report determined the 2009-10 ARC to be \$3.7 million. In 2009-10, the District funded \$1.93 million toward current and future benefit costs for bargaining unit members.

Management and Confidential Employees: As of the date of the report, the District had an actuarial accrued liability of approximately \$7.5 million for 59 current management and confidential retirees and beneficiaries and 108 additional future participants. The report estimated the normal cost at \$4,000, for the year ending July 1, 2009. As of the date of the report, the District had set aside approximately \$2.74 million in an OPEB trust, leaving \$4.7 million unfunded. The report determined the 2009-10 ARC to be \$276,000. In 2009-10, the District funded \$276,000 toward current and future benefit costs for management and confidential employees.

See APPENDIX B: "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2009," Note 10.

Accrued Vacation and other Obligations: As of June 30, 2009, the accrued vacation unfunded liability was approximately \$2 million. Unused sick leave, while not recognized as a liability since benefits do not vest, is added to the creditable service period for calculation of retirement benefits.

Charter Schools

Charter schools operate as autonomous public schools, under charter from a school district, county office of education, or the State Board of Education, with minimal supervision by the local school district. Charter schools receive revenues from the State and from the district in which they operate for each student enrolled, and thus effectively reduce revenues available for students enrolled in regular district-operated schools. The District is required to accommodate charter school students originating in the District in facilities comparable to those provided to regular District students. There are currently no charter schools operating within the District.

Summary of District Revenues and Expenditures

The table on the following page summarizes the District's general fund revenue, expenditures and fund balances from Fiscal Years 2005-06 through 2009-10. The District's audited financial statements for the year ending June 30, 2009, are reproduced in Appendix B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District's Board of Education by September 15, and the audit report must be filed with the County of Contra Costa Superintendent of Schools and State officials by December 15 of each year. See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS – District Budget Process and County Review" herein for a general description of the annual budget process for California school districts.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% percent of its total general fund expenditures and other financing sources, based on total student attendance. Under State law, the general fund reserve requirement is reduced to one-third of the otherwise applicable percentage (3% of expenditures for a school district with average daily attendance of up to 30,000), provided this is restored by 2011-12. For Fiscal Year 2009-10, the District has budgeted an unrestricted general fund reserve of 4.2%, or approximately \$9.04 million.

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

	Actual 2005-06 ^(a)	Actual 2006-07 ^(b)	Actual 2007-08 ^(c)	Actual 2008-09 ^(d)	Budget 2009-10 ^(e)
REVENUES					
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>
TOTAL REVENUES	171,986,381	196,987,491	212,537,950	225,149,838	209,976,001
EXPENDITURES					
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>
TOTAL EXPENDITURES	166,214,402	190,799,416	208,532,654	215,474,997	214,171,243
OTHER FINANCING SOURCES (USES)					
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>
TOTAL OTHER FINANCING SOURCES (USES)	(728,566)	(1,317,384)	(1,506,772)	(2,594,103)	(1,350,000)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	5,043,413	4,870,692	2,498,524	7,080,738	(5,545,242)
ADJUSTMENTS	(291,843)	0	0	1	0
BEGINNING FUND BALANCE	<u>15,521,864</u>	<u>20,273,434</u>	<u>25,144,126</u>	<u>27,642,650</u>	<u>18,624,993^(f)</u>
ENDING FUND BALANCE	<u>\$20,273,434</u>	<u>\$25,144,126</u>	<u>\$27,642,650</u>	<u>\$34,723,389^(f)</u>	<u>\$13,079,751</u>

^(a) District 2005-06 Unaudited Actuals Financial Report, September 14, 2006. June 30, 2006 ending balance adjusted to agree with June 30, 2006 audited financial statements.

^(b) District 2006-07 Unaudited Actuals Financial Report, September 11, 2007. June 30, 2007 ending balance agrees with June 30, 2007 audited financial statements.

^(c) District 2008-09 Unaudited Actuals Financial Reports, September 9, 2008 agrees with June 30, 2009 audited financial statements. See Appendix B.

^(d) District 2008-09 Unaudited Actuals Financial Reports, September 8, 2009.

^(e) District 2009-10 Adopted Budget, June 23, 2009.

^(f) Numbers prior to release of 2008-09 audit, November 30, 2009. Audited balance: \$30,949,283.

In its third interim report for fiscal year 2009-10, a projection of year-end fund balances as of April 30, 2010, the District projected that total general fund revenues would increase approximately 1% to \$212 million and expenditures would increase approximately 6% to \$226 million, and other sources would increase \$3.6 million, for a net ending fund balance of \$22.1 million. This reflects actual draws on reserves of \$12.6 million, compared to the budgeted draw of \$5.5 million (due to the increase in beginning balance), and a 28% decline in the balance from the audited year-end 2008-09 balance of \$30.95 million. Revenue changes from the adopted budget include various reductions by the State Legislature made to all school districts' revenue limit income, somewhat offset by an increase in A.D.A. Expenditure increases are largely explained by significant use of carryover funds from fiscal year 2008-09 (consisting of State aid, federal ARRA grants, and parent donations) that were not included in the original adopted budget.

SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

District Budget Process and County Review

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

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

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

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

A State law adopted in 1991 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that *will meet* its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed *unable to meet* its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that *may not meet* its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent. In at least the most recent five fiscal years, the District has only received a qualified certification in the second period of 2009-10 and has never received a negative certification. Due to the qualified certification, the District was required to file a Third Interim Report projecting results for Fiscal Year 2009-10 as of April 30, 2010.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. 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.

Vavrinek, Trine, Day & Co., LLP, certified public accountants, served as independent auditors to the District for Fiscal Year 2008-09, and its report for Fiscal Year Ended June 30, 2009, is attached hereto as Appendix B. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to adopt its audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year.

Long-Term Debt

General Obligation Bonds. On April 14, 1998, the voters of the District approved a bond proposition authorizing the issuance of \$70 million of bonds of the District for the acquisition, construction and improvement of real property, including the authorized school purposes specified in the proposition, as recommended by the District's Citizens' Advisory Committee on District Facilities, and for additional projects to the extent of available funds. The bonds were issued in full on July 9, 1998, as shown in the table below.

On November 5, 2002, the District's voters approved a second bond measure in the amount of \$260 million for specific school construction and modernization projects listed in the ballot measure. All of the bonds were issued in three series, as shown in the table below.

All such outstanding bonds of the District are payable from an *ad valorem* tax which the County is required to levy and collect in an amount sufficient in each year to pay all principal and interest coming due in such year.

As of June 1, 2010, the outstanding principal amount of all of the District's bonds was as follows:

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT Outstanding General Obligation Bonds

<u>Date of Issue</u>	<u>Series</u>	<u>Amount of Original Issue</u>	<u>Outstanding as of June 1, 2010</u>
July 9, 1998	General Obligation Bonds, Election of 1998, Series A	\$70,000,000	\$33,308,254 ⁽¹⁾
March 20, 2003	General Obligation Bonds, Election of 2002, Series 2003	72,000,000	60,975,000
October 28, 2004	General Obligation Bonds, Election of 2002, Series 2004	100,000,000	100,000,000
August 2, 2006	General Obligation Bonds, Election of 2002, Series 2006	<u>88,000,000</u>	<u>88,000,000</u>
TOTALS		\$330,000,000	<u>\$248,975,000</u>

⁽¹⁾ Capital appreciation bonds accrue an interest obligation payable at maturity, which interest is not reflected in the outstanding amount.

Capital Lease Obligations. The District has entered into various capital lease arrangements described in APPENDIX B: “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2009”, Note 8. All rent is payable from the District’s general fund. Future minimum lease payments under these leases are as shown in the following table:

Year Ending <u>June 30</u>	<u>Total Lease Payments</u>
2010	\$578,201
2011	<u>578,201</u>
Total	\$1,156,402
Less: Amount Representing Interest	<u>(54,701)</u>
Present Value of Minimum Lease Payments	\$1,101,701

In May 2006, the District entered into a financing lease with Municipal Services Group, Inc., for provision of 10 school busses. The principal amount of the lease is \$689,773, with scheduled annual payments of approximately \$151,375 commencing September 1, 2006 through September 1, 2010. The lease is a general fund obligation of the District.

In July 2009, December 2009 and June 2010, the District entered into a series of financing leases with Apple Computer for provision of educational computer equipment. The aggregate principal amount of the leases is \$874,000, and the financing interest rates range from 3.25% to 6.11%. Aggregate scheduled annual payments are \$250,000 in 2009-10 through 2011-12, and \$166,000 in 2012-13. The leases are a general fund obligation of the District.

Post-Employment Benefits. The District provides post-employment health benefits for eligible retired employees. See discussion above: “FUNDING OF DISTRICT OPERATIONS—District Expenditures—*Other Post-Employment Benefits.*” As of July 1, 2009, the District’s actuary estimated the District’s unfunded accrued actuarial liabilities were approximately \$43.9 million. See also, “—District Expenditures—*Accrued Vacation and other Obligations.*”

Operating Leases. The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. One of these agreements contains a purchase option. All agreements contain a termination clause providing for cancellation after a specified number of days’ written notice to lessors. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2010	\$476,852
2011	450,486
2012	365,580
2013	203,077
2014	<u>27,557</u>
Total	\$1,523,552

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of November 1, 2009, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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.

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

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

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/09</u>
Bay Area Rapid Transit District	7.685%	\$ 32,277,000
Chabot-Las Positas Community College District	0.539	2,495,042
Contra Costa Community College District	25.652	44,325,373
San Ramon Valley Unified School District	100.	282,283,345
East Bay Regional Park District	11.063	11,158,142
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 Act Bonds	100.	306,900
County and Special District 1915 Act Bonds (estimate)	2.781-100.	<u>110,570,030</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$523,225,832
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Contra Costa County General Fund Obligations	25.883%	\$ 73,651,371
Contra Costa County Pension Obligations	25.883	120,473,718
San Ramon Valley Unified School District General Fund Obligations	100.	- ⁽¹⁾
Chabot-Las Positas Community College District Certificates of Participation	0.539	25,144
Contra Costa Community College District Certificates of Participation	25.652	269,346
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	1.843	19,075
San Ramon Valley Fire Protection District Certificates of Participation	99.830	15,039,390
Contra Costa Fire Protection District Pension Obligations	0.402	<u>483,124</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$236,906,168
Less: Contra Costa County obligations supported by revenue funds		<u>(34,259,080)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$202,647,088
 GROSS COMBINED TOTAL DEBT		\$760,132,000 ⁽²⁾
NET COMBINED TOTAL DEBT		\$725,872,920

Ratios to 2009-10 Assessed Valuation:
Direct Debt (\$282,283,345) **0.81%**
 Total Direct and Overlapping Tax and Assessment Debt 1.51%

Ratios to Adjusted Assessed Valuation:
 Gross Combined Total Debt 2.27%
 Net Combined Total Debt 2.16%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

⁽¹⁾ Excludes the Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: California Municipal Statistics, Inc.

Capital Financing Plan

A District facilities needs assessment in 2002 identified District-wide capital projects that could be funded from bonds. The District sought and voters approved \$260 million of bonds in November 2002. Interest on bond funds and State matching grants for bond projects added another \$66 million to District capital resources, of which approximately \$36 million remains. The identified projects have largely been completed, and such grant funds and interest as remain have been committed to expenditures. The District is in the process of planning for current and future facilities needs that will most likely have to be funded from a future bond election.

As a condition to receiving past State modernization or construction funds, the District agrees to fund a restricted maintenance reserve account in the general fund each year for 20 years of at least 3% of its general fund budget. For fiscal years 2008-09 through 2012-13, the adopted 2009-10 State Budget has reduced the required reserve contribution from 3% to 1%. In 2009-10, the District has budgeted a maintenance reserve contribution of \$6.5 million, or 3% of expenditures.

Investment of Funds

Certain funds held under the Trust Agreement will be invested in Investment Securities, as described in APPENDIX A: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS—Certain Definitions." Other than funds received under the Facility Lease or held under the Trust Agreement, the Authority has substantially no income or fund balances.

Substantially all of the District's operating funds are required by law to be deposited with and invested by the County Treasurer-Tax Collector in the County's pooled investment fund and invested on behalf of the District pursuant to law and the County's investment policy. See Appendix E: "COUNTY OF CONTRA COSTA INVESTMENT POLICY—SUMMARY OF POOLED INVESTMENT FUND" herein for a description of the County's investment policy, current portfolio holdings and valuation procedures. Investment of District funds are further described in APPENDIX B: "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2009", Note 2.

Insurance, Risk Pooling and Joint Powers Arrangements

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. The District participates in joint ventures under joint powers agreements in the County and Northern California to provide workers' compensation, property and liability insurance. The District is a member of and purchases comprehensive workers compensation coverage from Contra Costa County Schools Insurance Group (CCCSIG), in coverage amounts as required by the California Workers Compensation Act and comparable to other school districts participating in CCCSIG. For property damage, the District has a deductible of \$50,000 per occurrence, covers damage up to \$250,000 via a self-insured retention, and purchases excess property insurance in the commercial market to a policy limit of \$150 million per occurrence through Northern California Regional Excess Liability Fund (NorCal ReLiEF), a joint powers authority of which the District is a participating member. For liability insurance, the District has a deductible of \$50,000 per occurrence, NorCal ReLiEF covers liability up to \$1 million via a self-insured retention, the District purchases excess general liability coverage through Schools Association for Excess Risk (SAFER) to a policy limit of \$4 million per occurrence, and purchases additional excess liability coverage to \$15 million per occurrence through Schools Excess Liability Fund (SELF) for a total of \$20 million per occurrence.

The District's potential liabilities under its arrangement with CCCSIG are described in APPENDIX B: "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2009", Notes 11 and 14. The District does not directly bear liability for the losses of other members of CCCSIG; however in the event of numerous large local losses, CCCSIG's self-insured retention fund could be exhausted, and member districts such as the District could be required to make further contributions to cover member claims.

The District is also a member of the Measure J Traffic Congestion Relief Agency (TRAFFIX), with the Town of Danville, the City of San Ramon, and the County. In 2009-10, TRAFFIX commenced operating subsidized bus service for District students to relieve automobile congestion on streets in the communities served by the District. TRAFFIX receives approximately 80% of its funding from the County Transportation Authority's county-wide half-cent sales tax, with the balance of the cost of services coming from bus-pass sales.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition. The tax for payment of the District's bonds approved at the 1998 election was approved by a 2/3 vote. The tax for payment of the District's bonds approved at the 2002 election falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

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

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

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

other things, Article 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 California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the District’s general obligation bonds or to otherwise interfere with performance of the duty of the District and the County with respect to such taxes. Legislation adopted in 1997 provides that Article 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.

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 existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

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

Expenditures and Appropriations

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

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

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

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

In Fiscal Year 2008-09, the District had an appropriations limit of \$136,564,435 and appropriations subject to the limit of \$136,564,435. For Fiscal Year 2009-10, the District's appropriations limit is budgeted at \$138,373,012.

Future initiatives. Articles XIII A, XIII B, XIII C, and XIII D, and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

TAX MATTERS

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Bonds.

The Bonds are not expected to be treated as issued with original issue discount (“OID”) for U.S. federal income tax purposes because the stated redemption price at maturity of the Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the Bonds.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Bond, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder’s holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and “backup withholding” requirements apply to certain payments of principal of, and interest on the Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority), defeasance or other disposition of a Bond, to certain noncorporate holders of Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Bond or a financial institution holding the Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial

institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Authority, the District and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Bonds and the transactions described herein (or in such opinion or other advice); and
- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is set forth in APPENDIX C: "PROPOSED FORM OF OPINION OF

BOND COUNSEL.” Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2009-10 Fiscal Year (which is due no later than April 1, 2011) and to provide notice of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D: “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The District believes that it failed to report a rating upgrade to “AA” of its general obligation bonds by Standard & Poor’s in October 2009. The District is in the process of ensuring that all required reports are on file. The District has not otherwise failed to comply in all material respects with its previous undertakings with regard to the Rule in the last five-year period covered by the Rule.

Absence of Material Litigation

No litigation is pending or, to the best knowledge of the Authority or the District, threatened, concerning the validity of the Bonds, the District’s ability to collect *ad valorem* taxes and other revenues and to make Base Rental Payments under the Facility Sublease, or contesting the Authority’s ability to issue and retire the Bonds, the political existence of the District or the Authority, the title to their offices of Authority or District officials who will sign the Bonds and other certifications relating to the Bonds, or the powers of those offices. Certificates (or opinions) to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds.

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

MISCELLANEOUS

Ratings

The Bonds have received the rating of “Aa3” from Moody’s Investors Service (“Moody’s”) and “AA-” from Standard & Poor’s Rating Services (“S&P”). Each rating agency generally bases its rating on its own investigations, studies, and assumptions. The District has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement). The ratings reflect only the views of the each rating agency, and any explanation of the significance of the rating may be obtained only from Moody’s at www.moodys.com or S&P at www.sandp.com. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the 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 on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and as Disclosure Counsel to the Authority and the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. Stubbs & Leone, Walnut Creek, California, will deliver an opinion as counsel to the District, and will receive compensation from the District contingent upon the sale and delivery of the Bonds.

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the principal legal documents which are not described elsewhere in this Official Statement. This summary does not purport to be a definitive or comprehensive summary of all of the provisions of such documents. This summary is qualified in its entirety by reference to the full text of such documents. Copies of such documents are available from the Authority or the District.

TRUST AGREEMENT

Definitions

“Authorized Denominations” means \$5,000 or any integral multiple thereof, and such other denominations as shall be set forth in a Supplemental Trust Agreement.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“Bondholder,” “Bondowner,” “Owner” or “Holder” mean the person in whose name any Bond shall be registered.

“Book-Entry Bonds” means Bonds registered in the name of the nominee of a Depository as the owner thereof pursuant to the terms and provisions of the Trust Agreement.

“Capitalized Interest Account” means the account by that name created pursuant to the Trust Agreement.

“Certificate of the Authority” means an instrument in writing signed by any of the following officials of the Authority: the Chair or Vice Chair of the Board of Directors, Executive Director, Associate Executive Director, Treasurer or a designee of any such officer, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Certificate of the District” means an instrument in writing signed by any of the following District officials: the President or Vice President of the Board of Education, the Superintendent, Assistant Superintendent, Associate Superintendent, Director of Business Services or any such official’s duly appointed designee, and any other officer of the District duly authorized by the Board of Education of the District or the Superintendent for that purpose.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District or the Authority and related to the authorization, execution and delivery of the Facility Lease, the Facility Sublease, the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds, title search and title insurance fees, fees of the Authority, underwriter’s discount and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Trust Agreement.

“Depository” means DTC or another recognized securities depository selected by the Authority which maintains a book-entry system for the Bonds.

“Event of Default” shall have the meanings specified in the Trust Agreement and the Facility Sublease.

“Extension Period Expiration Date” means the date of termination of any period of time negotiated with the IRS, as evidenced in writing from the IRS, that extends the date by which the proceeds of the sale of the Bonds must be expended.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Insurance and Condemnation Fund” means the fund by that name created pursuant to the Trust Agreement.

“Interest Account” means the account by that name created pursuant to the Trust Agreement.

“Investment Securities” means any of the following legal investments under the laws of the State of California for moneys held under the Trust Agreement and proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California) and are Investment Securities:

- i. legal investments as provided under California Government Code Sections 53601 and 53635;
- ii. any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clause (i) of this definition of Investment Securities and any money market fund as approved by the Authority and the Trustee;
- iii. the County of Contra Costa Investment Pool;
- iv. the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Trust Agreement; and
- v. any other investment approved by the Authority which does not cause the rating on the Bonds to be reduced or withdrawn.

“Opinion of Counsel” means a written opinion of Bond Counsel.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement with respect to discharge of Bonds;
- (3) Bonds deemed tendered but not yet presented for purchase; and
- (4) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Principal Account” means the account by that name created pursuant to the Trust Agreement.

“Rating Category” means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other

modifier, and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Representation Letter” means the blanket letter of representation of the Authority to DTC or any similar letter to a substitute depository.

“Revenues” means (i) all Base Rental Payments (as defined in the Facility Sublease) and other payments paid by the District and received by the Authority pursuant to the Facility Sublease (but not Additional Payments as defined in the Facility Sublease), (ii) all payments of the refundable tax credits the Authority receives or is entitled to receive with respect to the Bonds from the U.S. Treasury, and (iii) all interest or other income from any investment, pursuant to the Trust Agreement, of any money in any fund or account established pursuant to the Trust Agreement or the Facility Sublease.

“Supplemental Trust Agreement” means any Trust Agreement then in full force and effect that has been duly executed and delivered in accordance with the Trust Agreement by the Authority and the Trustee amendatory thereof or supplemental thereto.

“Tax Certificate” means the tax certificate and agreement concerning certain matters pertaining to the use of proceeds of the Bonds, executed and delivered by the Authority and the District on the date of issuance of the Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by the Chair or Vice Chair of its Board of Directors, the Executive Director, Associate Executive Director, Treasurer or a designee of any such officer or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Board of Directors of the Authority to sign or execute such a document on its behalf.

“Written Request of the District” means an instrument in writing signed by the President or Vice President of the Board of Education, the Superintendent, Assistant Superintendent, Associate Superintendent, Director of Business Services, or by any other officer of the District duly authorized by the Board of Education of the District or the Superintendent in writing to the Trustee for that purpose.

Issuance of Bonds

Project Fund. The Trustee shall establish and maintain so long as any Bonds are Outstanding the Project Fund. The moneys in the Project Fund shall be disbursed by the Trustee upon Written Request of the District for the payment of costs relating to the financing and completion of the Project.

Limitations on the Issuance of Obligations Payable from Revenues. The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except obligations which are junior and subordinate to the payment of the principal, premium and interest for the Bonds and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium and interest for the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement.

Revenues

Pledge of Revenues. All Revenues, and any other amounts (excluding Additional Payments and money held in the Project Fund that is unaffected by redemption of the Bonds) received by the Authority in respect of the Facility are irrevocably pledged and assigned to the payment of the interest and premium, if any, on and principal of the Bonds, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys

there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a pledge of and charge and first lien upon the Revenues, all other amounts pledged under the Trust Agreement and all other moneys on deposit in the funds and accounts established thereunder for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement.

Receipt and Deposit of Revenues in the Revenue Fund. In order to carry out and effectuate the pledge, assignment, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues and all other amounts pledged under the Trust Agreement when and as received shall be received by the Authority in trust under the Trust Agreement for the benefit of the Bondholders and shall be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund (the "Revenue Fund"), which fund is created and which fund the Trustee agrees and covenants to maintain in trust for Bondholders so long as any Bonds shall be Outstanding under the Trust Agreement. The District has been directed to pay all Base Rental Payments directly to the Trustee. If the Authority receives any Base Rental Payments, it shall immediately transfer such Base Rental Payments to the Trustee. All Revenues and all other amounts pledged and assigned under the Trust Agreement shall be accounted for through and held in trust in the Revenue Fund, and the Trustee shall have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues and all other amounts pledged and assigned under the Trust Agreement, whether received by the Authority in trust or deposited with the Trustee as provided in the Trust Agreement, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Trustee.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.

Revenue Fund. All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is created by the Trust Agreement, and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account, and
- (2) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Trust Agreement. The Trustee shall invest money in the Revenue Fund in Investment Securities pursuant to the Written Request of the Authority.

Interest Account. On or before each Interest Payment Date, commencing November 1, 2010, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date, as set forth in the Trust Agreement.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable, including accrued interest on any Bonds purchased or redeemed prior to maturity. The Trustee shall invest money in the Interest Account in Investment Securities pursuant to the Written Request of the Authority. All funds in the Interest Account are pledged, and shall be applied by the Trustee, to the payment of interest on the Bonds.

Principal Account. On or before each May 1, commencing May 1, 2011, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account the amount of money as applicable for that date as set forth in the Trust Agreement. The Trustee shall invest money in the Principal Account in Investment Securities pursuant to the Written Request of the Authority. All funds in the Principal Account are pledged, and shall be applied by the Trustee, to the payment of the principal of the Bonds as it comes due.

Capitalized Interest Account. In addition to the Principal Account and the Interest Account, the Trust Agreement creates the Capitalized Interest Account, to be funded from proceeds of the Bonds and maintained by the Trustee and to be used by the Trustee to pay a portion of the interest due on the Bonds through May 1, 2011. On each date set forth in the table below, the Trustee shall transfer from the Capitalized Interest Account to the Interest Account the corresponding amount set forth below. The Trustee shall invest money in the Interest Account in Investment Securities pursuant to the Written Request of the Authority. All funds in the Capitalized Interest Account are pledged, and shall be applied by the Trustee, solely to the payment of interest on the Bonds. Following the final date set forth below, the Trustee may close the Capitalized Interest Account on its books.

<u>Deposit in Interest Account</u>	<u>Amount</u>
November 1, 2010	\$39,525.51
May 1, 2011	70,441.50

Insurance and Condemnation Fund. In the event of any damage to or destruction of any part of the Facility covered by insurance, the Authority shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facility, and the Trustee shall hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds designated the “Insurance and Condemnation Fund”, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facility to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The District shall file a Certificate of the District with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the District, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Facility. The Trustee shall invest said proceeds in Investment Securities pursuant to the Written Request of the District, as agent for the Authority under the Facility Sublease, and withdrawals of said proceeds shall be made from time to time upon the filing with the Trustee of a Written Request of the District, stating that the District has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Facility, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be paid to the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to redeem all of the Bonds, in case of damage or destruction in whole of the Facility, or that portion of the Bonds which the initial cost of the destroyed/damaged/condemned portion of the Facility bears to the initial cost of the whole of the Facility, in the case of partial damage or destruction of the Facility, and to pay all other amounts relating to the damaged or destroyed portion of the Facility, the District, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facility and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement. The District shall not apply the proceeds of insurance as set forth in the Trust Agreement to redeem the Bonds in part due to damage or destruction of a portion of the Facility unless the Base Rental Payments on the undamaged portion of the Facility will be sufficient to pay the scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Deposit and Investments of Money in Accounts and Funds. All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Investment Securities at the Written Request of the Authority or, if no instructions are received, in money market funds described in clause (ii) of the definition of Investment Securities. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. For purposes of this restriction, Investment Securities containing a repurchase option or put option by the investor shall be treated as having a maturity of no longer than such option. All interest or profits received on any money so invested in any fund or account under the Trust Agreement shall be deposited in that fund or account. The Trustee and its affiliates may act as principal, agent, sponsor or advisor with respect to any investments. The Trustee shall not be liable for any losses on investments made in accordance with the terms and provisions of the Trust Agreement.

Investments in any and all funds and accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Trust Agreement for transfer to or holding in particular funds and accounts amounts received or held by the Trustee under the Trust Agreement, provided that the Trustee

shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Trust Agreement.

The Authority (and the District by its execution of the Facility Sublease) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority and the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority (if requested by it) and the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Trust Agreement.

Covenants of the Authority

Punctual Payment and Performance. The Authority will punctually pay out of the Revenues the interest on and principal of and redemption premium, if applicable, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained in the Trust Agreement and in the Bonds.

Against Encumbrances. The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

Tax Covenants. The Authority shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would cause the Bonds to not be Qualified School Construction Bonds under Section 54A of the Code. Without limiting the generality of the forgoing, the Authority shall comply with the instructions and requirements of the Tax Certificate. This covenant shall survive payment in full of the Bonds.

Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Bondholder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any reasonable attorney's fees or other reasonable expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured by the Trust Agreement may have been fully paid and satisfied.

Maintenance of Revenues. The Authority will promptly collect all rents and charges due for the occupancy or use of the Facility as the same become due, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due. The Authority will at all times maintain and vigorously enforce all of its rights under the Facility Sublease.

Amendments to Facility Sublease. The Authority shall not agree to supplement, amend, modify or terminate any of the terms of the Facility Sublease without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bondholders or result in any material impairment of the security given in the Trust Agreement for the payment of the Bonds (provided that such supplement, amendment or modification shall not be deemed to have such adverse effect or to cause such material impairment solely by reason of providing for the substitution of real property pursuant to the Facility Sublease), (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority or the District, (c) is to cure, correct or supplement any ambiguous or

defective provision contained therein, (d) is to accommodate any substitution in accordance with the Facility Sublease, (e) is to modify the legal description of the Facility to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcels intended or preferred to be included therein, or substituted for the Facility pursuant to the provision of the Facility Sublease, or (f) if the Trustee first obtains the written consent of the Bondholders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Base Rental Payments to be made to the Authority or the Trustee by the District pursuant to the Facility Sublease to an amount less than shown on the Base Rental Payment Schedule, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Base Rental Payments (all except as expressly provided in the Trust Agreement or in the Facility Sublease), in each case without the written consent of all of the Bondholders of the Bonds then Outstanding.

Leasehold Estate. The Authority will be, on the date of the delivery of the Bonds, the owner and lawfully possessed of the leasehold estate described in the Facility Lease, and the Facility Sublease will be, on the date of delivery of the Bonds, a valid subsisting demise for the term therein set forth of the property which it purports to demise. At the time of the delivery of the Bonds the District will be the owner in fee simple of the premises described therein, and the Facility Sublease will be lawfully made by the District, and the covenants contained in the Facility Sublease on the part of the District will be valid and binding. At the time of the delivery of the Bonds, the Authority will have good right, full power and lawful authority to lease said leasehold estate, in the manner and form provided in the Facility Sublease, and the Facility Sublease will be duly and regularly executed.

Without allowance for any days of grace which may or might exist or be allowed by law or granted pursuant to any terms or conditions of the Facility Sublease, the Authority will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Facility Sublease to be kept, performed and complied with by it. The Authority will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring a forfeiture of the Facility Sublease, or would or might be a ground for cancellation or termination of the Facility Sublease by the lessee thereunder. The Authority will promptly deposit with the Trustee (to be held by the Trustee until the title and rights of the Trustee under the Trust Agreement shall be released or reconvened) any and all documentary evidence received by it showing compliance with the provisions of the Facility Sublease to be performed by the Authority. The Authority, immediately upon its receiving or giving any notice, communication or other document in any way relating to or affecting the Facility Sublease, or the leasehold estate thereby created, which may or can in any manner affect the estate of the lessee or of the Authority in or under the Facility Sublease, will deliver the same, or a copy thereof, to the Trustee.

Refundable Tax Credit. The Authority covenants to file, or cause to be filed, on or before 45 days prior to each Interest Payment Date, Form 8038-CP with the Internal Revenue Service (or such other appropriate form as the Internal Revenue Service shall direct) relating to the refundable tax credit to be received with respect to the Bonds for such Interest Payment Date.

Insofar as permitted and provided by the Internal Revenue Service, the Authority and the Trustee will take all reasonably necessary steps to cause the refundable tax credits to be made directly to the Trustee for deposit in the Revenue Fund, including by electronic transfer whenever such means is made available by the Internal Revenue Service. In the event the Authority receives any refundable tax credit from the U.S. Treasury, it shall forthwith cause said funds to be transferred to the Trustee for deposit in the Revenue Fund, and prior to such transfer, shall maintain such funds uninvested.

Events of Default and Remedies of Bondholders

Events of Default. The following events shall be Events of Default:

- if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if applicable, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of 60 days or such additional time (with respect to agreements or covenants that cannot be corrected or performed within such 60 day period but the correction of which is being diligently pursued by the Authority) as is reasonably required to correct any such default after the Authority shall have been given notice in writing of such default by the Trustee;
- if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; or
- if an Event of Default has occurred under the Facility Sublease.

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Bondholders of a majority in principal amount of the Bonds then Outstanding, and in each case upon being indemnified to its reasonable satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Bondholders of Bonds under the Trust Agreement and under the Facility Sublease by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted therein, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver. Nothing in the provisions of the Trust Agreement with respect to the events of default and remedies of bondholders or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if applicable, on the Bonds to the respective Bondholders of the Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement from the Revenues as provided therein pledged for such payment, or shall affect or impair the right of such Bondholders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Bondholder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bondholders by the Act or by the Trust Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bondholders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee and any Bondholder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Bondholder shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Bondholders, whether or not the Trustee is a Bondholder, and the Trustee is appointed (and the successive Bondholders, by taking and holding the Bonds issued under the Trust Agreement, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Bondholders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Bondholders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Limitation on Bondholders' Right to Sue. No Bondholder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Bondholder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as defined in the Trust Agreement; (b) the Bondholders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name; (c) said Bondholders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Bondholder of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more Bondholders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided therein, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Bondholders of the Outstanding Bonds.

The Trustee

The Trustee. The Bank of New York Mellon Trust Company, N.A. shall serve as the initial Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided therein and for the purpose of paying the interest on and principal of and redemption premium, if applicable, on the Bonds presented for payment, with the rights and obligations provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a principal office in California.

The Authority, unless there exists any Event of Default as defined in the Trust Agreement, may at any time remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank, national banking association, banking institution, or trust company, having (or whose parent holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association, banking institution, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank, national banking association, banking institution, or

trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing by first class mail to the Bondholders notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. The successor Trustee shall send notice of its acceptance by first class mail to the Bondholders. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the Bonds, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct.

The Trustee shall not be bound to recognize any person as the Bondholder of a Bond unless and until such Bond is submitted for inspection, if required, and such Bondholder's title thereto satisfactorily established, if disputed.

The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Sublease, and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bondholders of not less than a majority (or any lesser amount that may direct the Trustee in accordance with the Trust Agreement) in aggregate principal amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Bondholders pursuant to the provisions of the Trust Agreement unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the reasonable costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Bondholders for the payment of the interest on, principal of or redemption premium, if applicable, with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties under the Trust Agreement.

The Trustee shall not be deemed to have knowledge of any Event of Default (except payment defaults) unless and until an officer of the Trustee shall have actual knowledge thereof or the Trustee shall have received written notice thereof. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of a default or Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee may execute any of the trusts or powers under the Trust Agreement or perform any duties under the Trust Agreement either directly or by or through attorneys-in-fact, agents or receivers, and shall not be answerable for the negligence or misconduct of any such attorney-in-fact, agent or receiver if such attorney-in-fact, agent or receiver was appointed by the Trustee with due care. The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty under the Trust Agreement, and the Trustee shall not be answerable for the professional malpractice of any attorney-in-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of the Trust Agreement, if such attorney-in-law or certified public accountant was selected by the Trustee with due care.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions of the Trust Agreement.

Whether or not therein expressly so provided, every provision of the Trust Agreement, the Facility Sublease or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Trust Agreement.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or District of the Facility or the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Sublease or the Trust Agreement for the existence, furnishing or use of the Facility or the Project.

The Trustee shall be protected in acting upon any notice, resolution, requisition, request (including any Written Request of the Authority or the District), consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Before the Trustee acts or refrains from acting, the Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Trust Agreement, or in the exercise of its rights or powers.

Compliance with Continuing Disclosure Certificate. Pursuant to the Facility Sublease, the District has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to S.E.C. Rule 15c2-12. The District has agreed that so long as it shall act as the Dissemination Agent under the Continuing Disclosure Certificate, it will perform all of the provisions thereof to be performed by the Dissemination Agent. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Bondholder or Beneficial Owner 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 the Facility Sublease or under the Trust Agreement. For purposes of this paragraph, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make

investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Amendment of the Trust Agreement

Amendment of the Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Bondholders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the Bondholders shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Trust Agreement. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if applicable, on any Bond without the express written consent of the Bondholder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created by the Trust Agreement for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority, or the District without their prior written assent thereto, respectively. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement pursuant to this subsection (a), the Trustee shall mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bondholders at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption, without the consent of any Bondholders, for any purpose that will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes --

(i) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or be conferred therein on the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary; or

(iii) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Discharge of Bonds

Discharge of Bonds. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Bondholders of all Outstanding Bonds the interest thereon and principal thereof and redemption premium, if applicable, thereon at the times and in the manner stipulated in the Trust Agreement and in the Bonds, and the Authority shall pay in full all other amounts due under the Trust Agreement and under the Facility Sublease, then the Bondholders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Bondholders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the

payment of the interest on and principal of and redemption premium, if applicable, on such Bonds and for the payment of all other amounts due under the Trust Agreement and under the Facility Sublease.

Miscellaneous

Liability of Authority Limited to Revenues. Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premium, if applicable, on the Bonds or for the performance of any agreements or covenants contained in the Trust Agreement. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premium, if applicable, on the Bonds as provided in the Trust Agreement. The Bonds are not a debt of the District, the State or any of its political subdivisions, and neither the District, the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Benefits of the Trust Agreement Limited to Parties; Third Party Beneficiaries. Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee and the Bondholders any right, remedy or claim under or by reason of the Trust Agreement. Any agreement or covenant required in the Trust Agreement to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Authority, the Trustee and the Bondholders.

Successor Is Deemed Included in All References to Predecessor. Whenever either the Authority or any member, officer or employee thereof or of the State is named or referred to in the Trust Agreement, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the Trust Agreement, the Bonds, the Facility Sublease and the Project that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required by the Trust Agreement to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

FACILITY SUBLEASE

Sublease of Demised Premises and Project; Term

Sublease of Facility. The Authority subleases to the District and the District subleases from the Authority the Facility, including the Demised Premises, subject, however, to all easements, encumbrances, and restrictions that exist at the time of the commencement of the term of the Facility Sublease (hereinafter, the "Sublease"). The District agrees and covenants during the term of the Sublease that, except as provided therein, it will use the Facility for public and District purposes so as to afford the public the benefits contemplated by the Sublease.

Term; Occupancy. The term of the Sublease shall be as set forth therein unless such term is extended or sooner terminated as provided in the Sublease. If on such date, the Bonds and all other amounts then due under the Sublease shall not be fully paid, or if the rent payable thereunder shall have been abated at any time and for any reason, then the term of the Sublease shall be extended until all Bonds corresponding to the Base Rental Payments and all other amounts then due under the Sublease shall be fully paid, except that the term of the Sublease shall in no event be extended beyond ten years after the initial termination date. If prior to such date, all Bonds and all other amounts then due under the Sublease shall be fully paid, or provision therefor made, the term of the Sublease shall end ten days thereafter or upon written notice by the District to the Authority, whichever is earlier.

Substitution. The District and the Authority may substitute real property in place of the Facility for purposes of the Facility Sublease, but only after the District shall have filed with the Authority and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the required documents as set forth in the Sublease.

Rent Payments; Use of Proceeds

Base Rental Payments. The District agrees to pay the Authority, as Base Rental Payments for the use and occupancy of the Facility, including the Demised Premises (subject to the provisions of the Sublease) the rent payments in the amounts shown on the Base Rental Payment Schedule as set forth in the Sublease. Notwithstanding the obligation to pay the Authority, the Authority directs the District to remit the Base Rental Payments directly to the Trustee at least three days prior to the due date of each Base Rental Payment. The Base Rental Payments due on May 1 and November 1 of each year shall be for the use of the Facility for the year ending on the immediately succeeding April 30.

If the term of the Sublease shall have been extended pursuant to the Sublease, Base Rental Payments shall continue to be due on May 1 and November 1 in each year, and payable prior thereto as described in the Sublease, continuing to and including the date of termination of the Sublease. Upon such extension of the Sublease, the District shall deliver to the Trustee a Certificate setting forth the extended Base Rental Payment Schedule so that the payments will in the aggregate be sufficient to pay in full the interest on, and the principal of, the Bonds and to pay any Additional Payments due or to become due.

Additional Payments. The Authority may in the future issue bonds and may in the future enter into leases to finance facilities other than the Project. The administrative costs of the Authority shall be allocated among said facilities and the Facility, as provided in the Sublease. The fees of the Trustee under the Trust Agreement, and any other expenses directly attributable to the Facility shall be included in the Additional Payments payable under the Sublease. The fees of any trustee or paying agent under any Agreement securing bonds of the Authority or any trust agreement other than the Trust Agreement, and any other expenses directly attributable to any facilities other than the Facility, shall not be included in Additional Payments payable under the Sublease. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Project, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be a final and conclusive determination as to such allocation.

Fair Rental Value. The Base Rental Payments and Additional Payments for each rental period during the term of the Sublease shall constitute the total rent for said rental period and shall be paid by the District in each rental payment period for and in consideration of the right of use and occupancy of, and continued quiet use and enjoyment of, the Facility, during each such period for which said rent is to be paid. The parties to the Sublease have agreed and determined that the total rent payable for each twelve-month period as set forth in the Sublease represents the fair rental value of the Facility for each such period. In making such determination, consideration has been given to the costs of acquisition, design, construction and financing of the Facility, other obligations of the parties under the Sublease, the uses and purposes which may be served by the Facility, and the benefits which will accrue to the District and the general public from the Facility.

Payment Provisions. Each installment of rent payable under the Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the office of the Trustee designated for the purpose, or such other place as the Authority shall designate. Any such installment of rent accruing under the Sublease which shall not be paid when due and payable under the terms of the Sublease shall bear interest at the rate of twelve percent (12%) per annum, or such lesser rate of interest as may be permitted by law, from the date when the same is due under the Sublease until the same shall be paid. Notwithstanding any dispute between the Authority and the District, the District shall make all rent payments when due without deduction or offset of any kind and shall not withhold any rent payments pending the final resolution of such dispute. In the event of a determination that the

District was not liable for said rent payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent rent payments due under the Sublease, or shall be refunded at the time of such determination.

All payments received shall be applied first to the Base Rental Payments due under the Sublease and thereafter to all Additional Payments due thereunder, but no such application of any payments which are less than the total rent due and owing shall be deemed a waiver of any default under the Sublease.

Nothing contained in the Sublease shall prevent the District from making from time to time contributions or advances to the Authority for any purpose authorized by law, including the making of repairs to, or the restoration of, the Facility in the event of damage to or the destruction of the Facility.

Appropriations Covenant. The District covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Sublease in its annual budgets, to make necessary annual appropriations for all Base Rental Payments and Additional Payments as shall be required to provide funds in each year for Base Rental Payments and Additional Payments. The covenants on the part of the District contained in the Sublease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Sublease agreed to be carried out and performed by the District.

The Authority and the District understand and intend that the obligation of the District to pay Base Rental Payments and Additional Payments under the Sublease shall constitute a current expense of the District and shall not in any way be construed to be a debt of the District in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the District, nor shall anything contained in the Sublease constitute a pledge of the general tax revenues, funds or moneys of the District. Base Rental Payments and Additional Payments due under the Sublease shall be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Sublease as consideration for use of the Facility. The Sublease shall not create an immediate indebtedness for any aggregate payments which may become due under the Sublease in the event that the term of the Sublease is continued. The District has not pledged the full faith and credit of the District, the State of California or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Sublease.

Maintenance; Alterations and Additions

Maintenance and Utilities. During such time as the District is in possession of the Facility, all maintenance and repair, both ordinary and extraordinary, of the Facility shall be the responsibility of the District, which shall at all times maintain or otherwise arrange for the maintenance of the Facility in first class condition, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Facility, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Facility resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof or from any other cause and shall pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Facility. In exchange for the rent provided in the Sublease, the Authority agrees to provide only the Facility, including the Demised Premises.

Changes to the Facility. Subject to any liens as described in the Sublease, the District shall, at its own expense, have the right to remodel the Facility or to make additions, modifications and improvements to the Facility, including the Demised Premises. All such additions, modifications and improvements shall thereafter comprise part of the Facility and be subject to the provisions of the Sublease. Such additions, modifications and improvements shall not in any way damage the Facility or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Facility, upon completion of any additions, modifications and

improvements made pursuant to the Sublease, shall be of a value which is at least equal to the value of the Facility immediately prior to the making of such additions, modifications and improvements.

Installation of District's Equipment. The District and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Facility, including the Demised Premises. All such items shall remain the sole property of such party, in which neither the Authority nor the Trustee shall have any interest, and such items may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Facility resulting from the installation, modification or removal of any such items. Nothing in the Sublease shall prevent the District from purchasing items to be installed pursuant to the Sublease under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Facility.

Insurance

Liability Insurance. Except as provided in the Sublease, the District shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Sublease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Facility and of the Project, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the District.

As an alternative to providing the insurance required by the above paragraph, or any portion thereof, the District may provide a self insurance method or plan of protection if and to the extent such self insurance method or plan of protection shall afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State of California other than the District. So long as such method or plan is being provided to satisfy the requirements of the Sublease, there shall be filed annually with the Trustee a statement of an actuary, independent insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Sublease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby. There shall also be filed a Certificate of the District setting forth the details of such substitute method or plan.

Worker's Compensation. The District shall also maintain worker's compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure its employees against liability for compensation under the Worker's Compensation Insurance and Safety Act now in force in California, or any act hereafter enacted as an amendment or supplement thereto. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the District. Such insurance may be maintained by the District in the form of self-insurance.

Title Insurance The District shall obtain, for the benefit of the Authority, upon the execution and delivery of the Sublease, title insurance on the Demised Premises, in an amount equal to the aggregate principal amount of the Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Insurance Proceeds; Form of Policies. All policies of insurance required by the Sublease with respect to fire and extended coverage insurance and rental interruption or use and occupancy insurance shall name the District, the Authority and the Trustee as insured and shall contain a lender's loss payable endorsement in favor of the Trustee substantially in accordance with the form approved by the Insurance Services Office and the California

Bankers Association. The Trustee shall, to the extent practicable, collect, adjust and receive all moneys which may become due and payable under any such policies, may compromise any and all claims thereunder and shall apply the proceeds of such insurance as provided in the Sublease. All policies of insurance required by the Sublease shall provide that the Trustee shall be given thirty (30) days notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby.

Any policies of insurance provided by a commercial insurer to satisfy the requirements of the Sublease shall be provided by a commercial insurer rated A or better by Best or in one of the two highest rating categories by Standard & Poor's or Moody's.

Defaults and Remedies

Defaults and Remedies. (a) If the District shall fail to pay any rent payable under the Sublease when the same becomes due, time being expressly declared to be of the essence of the Sublease, or the District shall fail to keep, observe or perform any other term, covenant or condition contained in the Sublease to be kept or performed by the District for a period of sixty (60) days after notice of the same has been given to the District by the Authority or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Authority, to correct the same, or upon the happening of any of the events specified in subsection (b) below (any such case above being an "Event of Default"), the District shall be deemed to be in default under the Sublease and it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Sublease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Sublease in the manner provided in the Sublease on account of default by the District, notwithstanding any re-entry or re-letting of the Facility as provided for in subparagraph (2) below, and to re-enter the Facility and remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and place such personal property in storage in any warehouse or other suitable place located within Contra Costa County, California. In the event of such termination, the District agrees to surrender immediately possession of the Facility, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facility and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Sublease. Neither notice to pay rent or to deliver up possession of the Facility given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Facility nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Sublease shall of itself operate to terminate the Sublease, and no termination of the Sublease on account of default by the District shall be or become effective by operation of law or acts of the parties to the Sublease, or otherwise, unless and until the Authority shall have given written notice to the District of the election on the part of the Authority to terminate the Sublease. The District covenants and agrees that no surrender of the Facility or of the remainder of the term of the Sublease or any termination of the Sublease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(2) Without terminating the Sublease, (i) collect each installment of rent as it becomes due and enforce any other terms or provision of the Sublease to be kept or performed by the District, regardless of whether or not the District has abandoned the Facility, or (ii) exercise any and all rights of entry and re-entry upon the Facility. In the event the Authority does not elect to terminate the Sublease in the manner provided for in subparagraph (1) above, the District shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the District and, if the Facility is re-let, to pay the full amount of the rent to the end of the term of the Sublease or, in the event that the Facility is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Sublease for the payment of rent thereunder (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rent in excess of the rent specified in the Sublease, and notwithstanding any entry or re-entry by the Authority or suit in

unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Facility. Should the Authority elect to enter or re-enter as provided in the Sublease, the District irrevocably appoints the Authority as the agent and attorney-in-fact of the District to re-let the Facility, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and to place such personal property in storage in any warehouse or other suitable place located in the County of Contra Costa, California, for (to the extent permitted by law) the account of and at the expense of the District, and the District (to the extent permitted by law) exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facility and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Sublease. The District agrees that the terms of the Sublease constitute full and sufficient notice of the right of the Authority to re-let the Facility and to do all other acts to maintain or preserve the Facility as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Sublease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Sublease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Sublease shall vest in the Authority to be effected in the sole and exclusive manner provided for in sub-paragraph (1) above. The District further waives the right to any rent obtained by the Authority in excess of the rent specified in the Sublease and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Facility or any part thereof. The District further agrees to the extent permitted by law to pay the Authority the reasonable cost of any alterations or additions to the Facility necessary to place the Facility in condition for re-letting immediately upon notice to the District of the completion and installation of such additions or alterations.

The District waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Facility as provided in the Sublease and all claims for damages that may result from the destruction of or injury to the Facility and all claims for damages to or loss of any property belonging to the District, or any other person, that may be in or upon the Facility.

(b) If (1) the District's interest in the Sublease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Sublease, or (2) the District or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the District asks or seeks to be adjudicated a bankrupt, or is to be discharged from any or all of the District's debts or obligations, or offers to the District's creditors to effect a composition or extension of time to pay the District's debts or asks or seeks for reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the District, or if a receiver of the business or of the property or assets of the District shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the District shall make a general or any assignment for the benefit of the District's creditors, or if (3) the District shall abandon or vacate the Facility, then the District shall be deemed to be in default under the Sublease.

(c) The Authority shall in no event be in default in the performance of any of its obligations under the Sublease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within sixty (60) days or such additional time as is reasonably required to correct any such default after notice by the District to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the District shall be entitled to pursue any remedy provided by law.

(d) In addition to the other remedies set forth in the Sublease, upon the occurrence of an Event of Default as described in the Sublease, the Authority shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Sublease or by law. The provisions of the Sublease and the duties of the District and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit,

action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the District and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the District (and its trustees, officers and employees) and to compel the District to perform and carry out its duties and obligations under the law and its covenants and agreements with the District as provided in the Sublease.

The exercise of any rights or remedies under the Sublease shall not permit acceleration of Base Rental Payments.

Each and all of the remedies given to the Authority under the Sublease or by any law enacted are cumulative and the single or partial exercise of any right, power or privilege under the Sublease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Sublease shall include, but not be limited to, re-letting by means of the operation by the Authority of the Facility. If any statute or rule of law validly shall limit the remedies given to the Authority under the Sublease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. Failure of the Authority to take advantage of any default on the part of the District shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Authority to insist upon performance by the District of any term, covenant or condition of the Sublease, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of a similar or any subsequent default. The acceptance of rent under the Sublease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease.

Eminent Domain; Prepayment

Eminent Domain. If the whole of the Facility or so much thereof as to render the remainder unusable for the purposes for which it was used by the District shall be taken under the power of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than the whole of the Facility shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the District at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rent due under the Sublease in the amount by which the annual payments of principal and interest on the Outstanding Bonds will be reduced by application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Facility, including the Demised Premises or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the District.

Prepayment. The District shall prepay on any date from insurance (including proceeds of title insurance) and eminent domain proceeds not applied for the replacement, repair or restoration of the damaged, destroyed, taken or affected portion of the Facility, to the extent provided in the Sublease, so much as it can of Base Rental Payments then unpaid, being an amount equal to the redemption payment of the maximum amount of Bonds redeemable from

such proceeds, including the principal thereof and the interest thereon, if any, to the date of redemption, plus any applicable premium.

Sale of Personal Property. The District, in its discretion, may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Facility, and to release said personal property from the Sublease, if (a) in the opinion of the District the property so sold or exchanged is no longer required or useful in connection with the operation of the Facility, (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released, and (c) if the value of any such property shall, in the opinion of the Authority, exceed the amount of \$100,000, the Authority shall have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Facility. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority. Any money so paid to the Authority may, so long as the District is not in default under any of the provisions of the Sublease, be used upon the Written Request of the District to purchase personal property, which property shall become a part of the Facility leased under the Sublease. The Authority may require such opinions, certificates and other documents as it may deem necessary before permitting any sale or exchange of personal property subject to the Sublease or before releasing for the purchase of new personal property money received by it for personal property so sold.

Covenants

Right of Entry. The Authority and its assignees shall have the right to enter upon and to examine and inspect the Facility, including the Demised Premises during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the Authority's or the District's rights or obligations under the Sublease, and (c) for all other lawful purposes.

Liens. In the event the District shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Facility, the District shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District in, upon or about the Facility and shall keep the Facility free of any and all mechanics' or materialmen's liens or other liens against the Facility or the Authority's interest therein. In the event any such lien attaches to or is filed against the Facility or the Authority's interest therein, the District shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the District desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the District shall forthwith pay and discharge said judgment.

Assignment and Subleasing. Neither the Sublease nor any interest of the District thereunder shall be mortgaged, pledged, assigned, sublet or transferred by the District by voluntary act or by operation of law or otherwise, except with the prior written consent of the Authority, which, in the case of subletting, shall not be unreasonably withheld; provided such subletting shall not cause the Bonds to cease to qualify as Qualified School Construction Bonds under the Code, or cause interest payable in respect of the Bonds, if any, to be included in gross income for California state income tax purposes. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the District to make the Base Rental Payments and Additional Payments required under the Sublease.

Title to Facility. During the term of the Sublease, the Authority shall hold a leasehold estate to the Facility and any and all additions which comprise fixtures, repairs, replacement or modifications thereof, except for those fixtures, repairs, replacements or modifications which are added thereto by the District and which may be removed without damaging the Facility, and except for any items added to the Facility by the District pursuant to the Sublease. This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to the Sublease.

Tax Covenants of the District. (a) The District shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would cause the Bonds to not be Qualified School Construction Bonds under Section 54A of the Code. Without limiting the generality of the forgoing, the District shall comply with the instructions and requirements of the Tax Certificate. This covenant shall survive payment in full of the Bonds.

(b) In the event that at any time the District is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Authority under the Sublease, or held by the Trustee under the Trust Agreement, the District shall so instruct the Authority or the Trustee, as applicable, in writing, and the Authority and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Sublease, if the Trustee shall be furnished the Trustee an opinion of Bond Counsel that any specified action required under the Sublease is no longer required or that some further or different action is required in order for the Bonds to be and remain Qualified School Construction Bonds under Section 54A of the Code, the Trustee may conclusively rely on such opinion in complying with the requirements of the Sublease, and the covenants thereunder shall be deemed to be modified to that extent.

Tax Covenants of the Authority. (a) The Authority shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue, if such action or inaction would cause the Bonds to not be Qualified School Construction Bonds under Section 54A of the Code. Without limiting the generality of the forgoing, the Authority shall comply with the instructions and requirements of the Tax Certificate. This covenant shall survive payment in full of the Bonds.

(b) In the event that at any time the Authority is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee, in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Sublease, if the Trustee shall be furnished an opinion of Bond Counsel that any specified action required under the Sublease is no longer required or that some further or different action is required in order for the Bonds to be and remain Qualified School Construction Bonds under Section 54A of the Code, the Trustee may conclusively rely on such opinion in complying with the requirements of the Sublease, and the covenants under the Sublease shall be deemed to be modified to that extent.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Sublease, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Sublease; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least 25% aggregate principal amount of Bonds Outstanding and provided satisfactory indemnification is provided to the Trustee, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to compel the District to comply with its obligations under the Sublease.

Taxes. The District shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or affecting the Facility or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the term of the Sublease as and when the same become due.

The District shall also pay directly such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines or interest arising out of any delay or failure by the District to pay any of the foregoing or failure to

file or furnish to the Authority or the Trustee for filing in a timely manner any returns, hereafter levied or imposed against the Authority or the Facility, the rents and other payments required the Sublease or any parts thereof or interests of the District or the Authority or the Trustee therein by any governmental authority.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the District that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Facility will be materially endangered or the Facility, or any part thereof, will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Authority's Purpose. The Authority covenants that, prior to the discharge of the Sublease, it will not engage in any activities inconsistent with the purposes for which the Authority is organized.

Purpose of Sublease. The District covenants that during the term of the Sublease, except as provided in the Sublease, (a) it will use, or cause the use of, the Facility for public purposes and for the purposes for which the Facility is customarily used, (b) it will not vacate or abandon the Facility or any part thereof, and (c) it will not make any use of the Facility which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Sublease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Facility

Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE FACILITY OR THE PROJECT, OR WARRANTY WITH RESPECT THERETO. THE DISTRICT ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF THE FACILITY OR THE PROJECT OR A DEALER THEREIN, THAT THE DISTRICT LEASES THE FACILITY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE DISTRICT. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Sublease or the existence, furnishing, functioning or the District's use of any item or products or services provided for in the Sublease.

Vendor's Warranties. The Authority irrevocably appoints the District its agent and attorney-in-fact during the term of the Sublease, so long as the District shall not be in default under the Sublease, to assert from time to time whatever claims and rights, including warranties of the Facility or the Project, which the Authority may have against the manufacturers, vendors and contractors of the Facility or the Project. The District's sole remedy for the breach of such warranty, indemnification or representation shall be against the manufacturer or vendor or contractor of the Facility or of the Project, and not against the Authority, nor shall such matter have any effect whatsoever on the rights and obligations of the Authority with respect to the Sublease, including the right to receive full and timely payments under the Sublease. The District expressly acknowledges that the Authority makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the manufacturer, vendor or contractor.

Use of the Facility. The District will not install, use, operate or maintain the Facility improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Sublease. The District shall provide all permits and licenses, if any, necessary for the installation and operation of the Facility. In addition, the District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Facility) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facility; provided, however, that the District may contest in good faith the validity or application of any such law or rule in

any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to the Facility or its interest or rights under the Sublease.

Miscellaneous

Validity and Severability. If for any reason the Sublease shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the District, or if for any reason it is held by such a court that any of the covenants and conditions of the District under the Sublease, including the covenant to pay rents thereunder, is unenforceable for the full term of the Sublease, then and in such event the Sublease is and shall be deemed to be a lease under which the rents are to be paid by the District annually in consideration of the right of the District to possess, occupy and use the Facility, and all of the rent and other terms, provisions and conditions of the Sublease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Net-Net-Net Lease. The Sublease shall be deemed and construed to be a “net-net-net lease” and the District agrees that the rents provided for in the Sublease shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Amendment or Termination. The Authority and the District may at any time agree to the amendment or termination of the Sublease; provided, however, that the Authority and the District agree and recognize that payments under the Sublease have been pledged to the Bonds and other obligations of the Authority in accordance with the terms of the Trust Agreement, and accordingly, that any such amendment or termination shall only be made or effected in accordance with and subject to the terms of the Trust Agreement.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**SAN RAMON VALLEY UNIFIED
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2009**

**SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
OF CONTRA COSTA COUNTY
DANVILLE, CALIFORNIA**

JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Bill Clarkson	President	2010
Rachel Hurd	Vice President	2010
Paul Gardner	Clerk	2012
Greg Marvel	Member	2012
Ken Mintz	Member	2010

ADMINISTRATION

Steven Enoch	Superintendent
Gary Black	Assistant Superintendent, Business Services
Roberta Silverstein	Assistant Superintendent, Human Resources
Christine Williams	Assistant Superintendent, Educational Services
Margaret Brown	Assistant Superintendent, Facilities Development

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
San Ramon Valley Unified School District
San Ramon, 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, 2009, 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 2008-09, 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, 2009, 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 State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2009, 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, budgetary comparison, and other postemployment information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by 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, as well as 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 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 assessed valuation of taxable properties and secured tax school district boundaries 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.

Varrinet, Trine, Day & Co., LLP.

Pleasanton, California
November 30, 2009

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

This section of San Ramon Valley Unified School District's 2009 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. 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) 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 retiree benefits trust fund is prepared using the economic resources measurement focus and the accrual basis of accounting. The agency funds report a balance sheet and do not have a 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

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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.

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law 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, 2009

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 the *Statements of Fiduciary Net Assets* and *Statement of Revenues, Expenses, and Changes in Fund 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 \$773,729,467, and \$699,046,743 for the fiscal years ended 2009, and 2008, respectively. Of this amount, \$20,230,623, and \$20,762,195 was unrestricted for the fiscal years ended 2009, and 2008, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2009	2008
Current and other assets	\$ 156,870,833	\$ 134,119,030
Capital assets	998,216,769	924,357,070
Total Assets	1,155,087,602	1,058,476,100
Current liabilities	46,647,045	23,430,293
Long-term debt	334,711,090	335,999,064
Total Liabilities	381,358,135	359,429,357
Net assets		
Invested in capital assets, net of related debt	718,983,434	650,937,621
Restricted	34,515,410	27,346,927
Unrestricted	20,230,623	20,762,195
Total Net Assets	\$ 773,729,467	\$ 699,046,743

The \$20,230,623 unrestricted net assets of governmental activities represent the accumulated results of all past years' operations.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2009	2008
Revenues		
Program revenues		
Charges for services	\$ 6,262,146	\$ 6,208,386
Operating grants and contributions	39,674,894	32,452,568
Capital grants and contributions	43,591,711	5,376,296
General revenues:		
Federal and State aid not restricted	44,568,741	45,653,265
Property taxes	141,557,125	137,022,638
Other general revenues	73,675,661	169,498,986
Total Revenues	<u>\$ 349,330,278</u>	<u>\$ 396,212,139</u>
Expenses		
Instruction related	\$ 197,668,558	\$ 191,171,327
Student support services	17,725,021	16,510,825
Administration	10,441,813	10,773,875
Maintenance and operations	24,518,763	24,594,124
Other	24,295,659	23,119,705
Total Expenses	<u>274,649,814</u>	<u>266,169,856</u>
Change in Net Assets	<u>\$ 74,680,464</u>	<u>\$ 130,042,283</u>

Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year were \$274,649,814, and \$266,169,856 for the fiscal years ended 2009 and 2008, respectively. The cost paid by those who benefited from the programs was \$6,262,146, and \$6,208,386 respectively. Operating and Capital grants and contributions subsidized certain programs in the amount of \$83,266,605, and \$37,828,864 respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$141,557,125, and \$137,022,638 in taxes, unrestricted Federal and State aid of \$44,568,741, and \$45,653,265 and other revenues of \$73,675,661, and \$169,498,986 for the fiscal years ended 2009 and 2008, 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 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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Table 3

	Net Cost of Services	
	2009	2008
Instruction Related	\$ 121,378,414	\$ 158,044,210
Student Support services	8,462,446	8,511,808
Administration	8,865,998	10,098,671
Maintenance and operations	23,234,684	23,417,050
Other	23,179,521	22,060,867
Net Cost	<u>\$ 185,121,063</u>	<u>\$ 222,132,606</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$120,248,407, which is an increase of \$1,199,676 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 \$3,306,633 mainly due to the receipt of State Fiscal Stabilization Funds.
- b. Our Special Revenue Funds increased approximately \$1,040,000. This was primarily the result of an increase in the Deferred Maintenance Fund due to a deferral of projects.
- c. The Debt Service Funds showed a decrease of approximately \$390,000.
- d. The Capital Projects Funds decreased approximately \$2,753,000. This was due to decreases in the of \$8,542,000 in the Building Fund and \$211,000 in the Capital Facilities Fund because of building projects. The County School Facilities Fund increased \$6,000,000 due to State payments for Gale Ranch Middle School.

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 8, 2009. (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 49).

The District originally projected a decrease in general fund net assets of \$2,950,327. This was later revised to an increase of \$1,144,903. 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 of \$4,812,593 and adjustments of \$3,774,106 (see Note 17), revenue came in \$704,000 less and expenditures were \$6,640,000 less than anticipated. This resulted in a \$3,306,633 increase in the 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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2009

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

The District had \$998,206,769, and \$924,357,070 net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, and furniture and equipment for the fiscal years ended 2009 and 2008. The current amount represents a net increase (including additions, deductions and depreciation) of \$73,849,699 or 8 percent compared to the prior year.

Table 4

	Governmental Activities	
	2009	2008
Land	\$ 312,923,892	\$ 281,423,892
Land Improvements	18,978,052	20,369,071
Buildings & improvements	590,384,340	533,719,510
Equipment	6,855,892	5,496,572
Construction in progress	69,064,593	83,348,025
Totals	<u>\$ 998,206,769</u>	<u>\$ 924,357,070</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2009

This year’s major additions to buildings and site improvements:

	2009	2008
Golden View Modernization	\$ -	\$ 57,813
Montevideo Modernization	-	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
Alamo Modernization	948,840	-
Hillden Hills Expansion	7,616,740	-
John Baldwin Modernization	73,511	-
Green Valley Modernization	12,257,924	-
Coyote Creek Expansion	4,481,930	-
Coyote Creek Childcare	21,679	-
Rancho Romero Modernization	9,452,588	-
Twin Creeks Modernization	214,557	-
Gale Ranch Middle School	43,598,663	-
Cal High Career Tech	28,770	-
Monte Vista Expansion	310,278	-
Monte Vista Career Tech	29,389	-
Monte Vista Track	152,671	-
Monte Vista Scoreboard	205,412	-
San Ramon Commons	11,350	-
Del Amigo Technology	29,232	-
Totals	<u>\$ 79,433,534</u>	<u>\$ 241,918,049</u>

A number of capital projects are planned for the 2009-10 year. We anticipate capital additions to be approximately \$52 million for the 2009-10 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Long-Term Obligations

At the end of this year, the District had \$340,419,300 in long-term obligations versus \$341,862,876 last year, a decrease of 0.4 percent. These obligations consisted of:

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 325,323,923	\$ 327,038,502
Capitalized lease obligations	1,101,702	1,622,768
Net OPEB Obligation	2,258,821	970,996
Other	11,734,854	12,230,610
Totals	<u>\$ 340,419,300</u>	<u>\$ 341,862,876</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 \$325,323,923 is significantly below this \$878 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 2008-09 ARE NOTED BELOW:

This was the fifth and final year the District used funds from the parcel tax passed in 2003-04. The parcel tax provided funding for class size reduction, music, library and counseling programs. A new \$144 parcel tax for seven years was approved by the voters in April 2009.

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 one new school in 2008-09. Gale Ranch became the District's 8th middle school and opened with students in grades 6 and 7. Dougherty Valley High School added a junior class in 2008-09.

The District continued to experience rapid growth in the student population. The October 2008 CBEDS count was 26,936 students. This is an increase of 1,017 students over October 2007 CBEDS.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-10 year, the District Board and management used the following criteria:

The key assumptions in our revenue projections were:

- A 4.25% Cost of Living Adjustment with a deficit factor of 17.967%
- Student enrollment growth of 1.4%, or about 379 students over 2008-09 CBEDS enrollment.
- The new \$144 parcel tax will provide the District with an additional \$2.4 million in revenue.
- State categorical programs were budgeted according to the Governor's May Budget Revision which included a 19.9% reduction over original 08-09 allocations in most programs.
- The District will use the categorical flexibility granted by the State.

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

	Staffing Ratio	Enrollment
Grades kindergarten through third	20: 1	8,220
Grades four and five	30: 1	4,213
Grades six through eight	29: 1	6,137
Grades nine through twelve	28: 1	7,981

The key assumptions in our expenditure forecast are:

1. Teacher staffing will be provided at the above ratios
2. Property and liability insurance rates will increase 5%
3. Maintaining the Routine Restricted Maintenance Program budget at 3% of General Fund expenditures
4. Maintaining a 3% Reserve for Economic Uncertainties.
5. Expenditure reductions of approximately \$2.9 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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 132,668,672
Receivables	21,426,343
Prepaid expenses	147,544
Deferred charges	2,369,735
Stores inventories	258,539
Capital assets not depreciated	381,988,485
Capital assets, net of accumulated depreciation	616,228,284
Total Assets	1,155,087,602
LIABILITIES	
Overdrafts	342,086
Accounts payable	6,589,554
Interest payable	7,837,458
Deferred revenue	1,169,737
Current loans	25,000,000
Current portion of long-term obligations	5,708,210
Noncurrent portion of long-term obligations	334,711,090
Total Liabilities	381,358,135
NET ASSETS	
Invested in capital assets, net of related debt	718,993,434
Restricted for:	
Educational programs	9,016,871
Debt service	6,288,187
Capital projects	11,901,900
Other activities	7,298,452
Unrestricted	20,230,623
Total Net Assets	\$ 773,729,467

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, 2009**

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
Governmental Activities:					
Instruction	\$ 170,775,559	\$ 1,537,059	\$ 24,916,043	\$ 43,591,711	\$(100,730,746)
Instruction-related activities:					
Supervision of instruction	6,163,857	42,865	3,519,670	-	(2,601,322)
Instructional library, media, and technology	3,854,626	314	922,912	-	(2,931,400)
School site administration	16,874,516	337	1,759,233	-	(15,114,946)
Pupil services:					
Home-to-school transportation	3,223,212	262,249	855,873	-	(2,105,090)
Food services	5,308,820	4,301,895	882,544	-	(124,381)
All other pupil services	9,192,989	11,981	2,948,033	-	(6,232,975)
General administration:					
Data processing	2,170,857	47,469	192,299	-	(1,931,089)
All other general administration	8,270,956	124	1,335,923	-	(6,934,909)
Plant services	24,518,763	14,716	1,269,363	-	(23,234,684)
Ancillary services	2,507,720	17,069	7,379	-	(2,483,272)
Community services	282,980	-	6,071	-	(276,909)
Enterprise services	44,822	-	-	-	(44,822)
Interest on long-term obligations	19,995,679	-	-	-	(19,995,679)
Other outgo	1,464,458	26,068	1,059,551	-	(378,839)
Total Governmental-Type Activities	\$ 274,649,814	\$ 6,262,146	\$ 39,674,894	\$ 43,591,711	(185,121,063)
General revenues and subventions:					
					117,396,515
					19,264,495
					4,896,115
					44,568,741
					1,822,632
					45,525
					71,807,504
					259,801,527
					Change in Net Assets
					74,680,464
					Net Assets - Beginning
					699,049,003
					Net Assets - Ending
					\$ 773,729,467

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2009

	General Fund	Building Fund	County School Facilities Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 44,669,797	\$ 54,196,529	\$ 6,000,240	\$ 26,631,806	\$ 131,498,372
Receivables	15,304,907	5,385,946	-	274,468	20,965,321
Due from other funds	57,893	208,055	-	168,602	434,550
Prepaid expenditures	120,249	23,835	-	3,460	147,544
Stores inventories	228,722	-	-	29,817	258,539
Total Assets	\$ 60,381,568	\$ 59,814,365	\$ 6,000,240	\$ 27,108,153	\$ 153,304,326
LIABILITIES AND FUND BALANCES					
Liabilities:					
Overdrafts	\$ -	\$ -	\$ -	\$ 342,086	\$ 342,086
Accounts payable	3,029,097	2,827,895	-	252,554	6,109,546
Due to other funds	233,451	38,811	-	162,288	434,550
Other current liabilities	25,000,000	-	-	-	25,000,000
Deferred revenue	1,169,737	-	-	-	1,169,737
Total Liabilities	29,432,285	2,866,706	-	756,928	33,055,919
Fund Balances:					
Reserved for:					
Legally restricted balances	9,016,871	-	-	-	9,016,871
Other reservations	409,971	23,835	-	33,277	467,083
Unreserved:					
Designated	21,522,441	506,528	-	3,949,239	25,978,208
Undesignated, reported in:					
Special revenue funds	-	-	-	2,344,864	2,344,864
Debt service funds	-	-	-	14,125,645	14,125,645
Capital projects funds	-	56,417,296	6,000,240	5,898,200	68,315,736
Total Fund Balance	30,949,283	56,947,659	6,000,240	26,351,225	120,248,407
Total Liabilities and Fund Balances	\$ 60,381,568	\$ 59,814,365	\$ 6,000,240	\$ 27,108,153	\$ 153,304,326

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, 2009**

Total Fund Balance - Governmental Funds		\$ 120,248,407
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,156,951,787	
Accumulated depreciation is	<u>(158,749,898)</u>	
Net Capital Assets		998,201,889
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.		176,782
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.		2,369,735
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.		(7,837,458)
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.		989,412
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	\$ 325,323,923	
Bond premiums/discounts, net of amortization	9,745,370	
Capital leases payable	1,101,701	
Compensated absences (vacations)	1,989,485	
Net OPEB obligation	<u>2,258,821</u>	
Total Long-Term Obligations		<u>(340,419,300)</u>
Total Net Assets - Governmental Activities		<u>\$ 773,729,467</u>

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, 2009**

	General Fund	Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 148,391,231	\$ -	\$ -	\$ 29,122	\$ 148,420,353
Federal sources	13,552,898	-	-	396,368	13,949,266
Other state sources	40,088,408	-	43,591,711	144,196	83,824,315
Other local sources	24,155,788	5,674,247	-	24,291,627	54,121,662
Total Revenues	226,188,325	5,674,247	43,591,711	24,861,313	300,315,596
EXPENDITURES					
Current					
Instruction	144,800,670	-	-	23,307	144,823,977
Instruction-related activities:					
Supervision of instruction	6,096,257	-	-	-	6,096,257
Instructional library, media and technology	3,138,983	-	-	-	3,138,983
School site administration	16,417,348	-	-	-	16,417,348
Pupil services:					
Home-to-school transportation	3,074,428	-	-	-	3,074,428
Food services	141,028	-	-	5,129,719	5,270,747
All other pupil services	9,137,206	-	-	-	9,137,206
General administration:					
Data processing	1,953,870	-	-	-	1,953,870
All other general administration	7,834,808	-	-	1,960	7,836,768
Plant services	22,310,493	134,136	-	1,596,396	24,041,025
Facility acquisition and construction	248,776	24,347,844	27,024,195	258,983	51,879,798
Ancillary services	2,515,201	-	-	-	2,515,201
Community services	282,529	-	-	-	282,529
Other outgo	1,614,458	-	-	-	1,614,458
Debt service					
Principal	135,155	385,911	-	4,840,452	5,361,518
Interest	586,378	40,915	-	14,894,514	15,521,807
Total Expenditures	220,287,588	24,908,806	27,024,195	26,745,331	298,965,920
Excess (Deficiency) of					
Revenues Over Expenditures	5,900,737	(19,234,559)	16,567,516	(1,884,018)	1,349,676
Other Financing Sources (Uses):					
Transfers in	-	10,692,731	-	2,444,104	13,136,835
Transfers out	(2,594,104)	-	(10,567,276)	(125,455)	(13,286,835)
Net Financing Sources (Uses)	(2,594,104)	10,692,731	(10,567,276)	2,318,649	(150,000)
NET CHANGE IN FUND	3,306,633	(8,541,828)	6,000,240	434,631	1,199,676
Fund Balance - Beginning	27,642,650	65,489,487	-	25,916,594	119,048,731
Fund Balance - Ending	\$ 30,949,283	\$ 56,947,659	\$ 6,000,240	\$ 26,351,225	\$ 120,248,407

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, 2009

Total Net Change in Fund Balances - Governmental Funds	\$ 1,199,676
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	
This is the amount by which capital outlays exceeds depreciation in the period.	
Depreciation expense	\$ (25,028,828)
Capital outlays	<u>50,088,598</u>
Net Expense Adjustment	25,059,770
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.	49,244,311
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.	(444,381)
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.	(6,542)
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.	(1,628,830)
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.	5,361,518
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.	(3,347,339)

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, 2009

In the statement of activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.	(1,287,825)
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.	<u>115,806</u>
Change in Net Assets of Governmental Activities	<u>\$ 74,680,464</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, 2009**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 1,170,300
Receivables	284,240
Total Current Assets	<u>1,454,540</u>
Noncurrent Assets	
Furniture and equipment (net)	14,880
Total Assets	<u>1,469,420</u>
LIABILITIES	
Current Liabilities	
Accounts payable	22
Claim liabilities	479,986
Total Current Liabilities	<u>480,008</u>
NET ASSETS	
Invested in capital assets, net of related debt	14,880
Unrestricted	974,532
Total Net Assets	<u>\$ 989,412</u>

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 3,564,609
Cash payments to employees for services	(3,041,641)
Cash payments to suppliers for goods and services	(21,816)
Cash payments for other operating expenses	(323,574)
Net Cash Provided for Operating Activities	<u>177,578</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in from other funds	<u>150,000</u>
Net Cash Provided for Noncapital Financing Activities	<u>150,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>8,368</u>
Net Cash Provided by Investing Activities	<u>8,368</u>
Net Increase in Cash and Cash Equivalents	335,946
Cash and Cash Equivalents - Beginning	834,354
Cash and Cash Equivalents - Ending	<u><u>\$ 1,170,300</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (42,562)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	2,260
Changes in assets and liabilities:	
Receivables	193,462
Due from other fund	20,424
Accounts payable	(87,871)
Claims liabilities	96,285
Due to other fund	(4,420)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 177,578</u></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/BALANCE SHEETS

JUNE 30, 2009

	Retiree Benefits Trust	Agency Funds	
		Warrant Clearing	ASB Funds
ASSETS			
Deposits and investments	\$ 12,670,842	\$ 9,707,284	\$ 1,939,038
Receivables	5,910	507,876	-
Total Assets	<u>\$ 12,676,752</u>	<u>\$ 10,215,160</u>	<u>\$ 1,939,038</u>
LIABILITIES			
Accounts payable	\$ 13,315	\$ 23	\$ -
Due to student groups	-	-	1,939,038
Due to others	-	10,215,137	-
Total Liabilities	<u>13,315</u>	<u>\$ 10,215,160</u>	<u>\$ 1,939,038</u>
NET ASSETS			
Unrestricted	<u>12,663,437</u>		
Total Net Assets	<u>\$ 12,663,437</u>		

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	Retiree Benefits Trust
ADDITIONS	
Private contributions	
District contributions	\$ 2,601,687
Net increase in fair value of investments	2,107,423
Interest	65,838
Total Additions	<u>4,774,948</u>
DEDUCTIONS	
Other expenditures	2,168,713
Total Deductions	<u>2,168,713</u>
Change in Net Assets	2,606,235
Net Assets - Beginning	<u>10,057,202</u>
Net Assets - Ending	<u><u>\$ 12,663,437</u></u>

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, eight 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.

Basis of Presentation - Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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).

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).

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).

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.

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).

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 services are provided to other funds of the District on a cost-reimbursement basis. The District operates two self insurance programs that are accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's Agency fund accounts for student body activities (ASB) 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.

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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, 2009, 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.

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 FOR THE YEAR ENDED JUNE 30, 2009

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

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are 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 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged. The District believes that the implementation of this statement will have no significant impact on the financial statements.

In April 2009, the GASB issued GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The provisions of this Statement were effective upon issuance and did not have any impact on the financial statements.

In April 2009, the GASB issued GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. The provisions of this Statement were effective upon issuance and did not have any impact on the financial statements.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 131,498,372	
Less Overdraft	<u>(342,086)</u>	
Total Governmental funds		\$ 131,156,286
Proprietary funds		1,170,300
Fiduciary funds		<u>24,317,164</u>
Total Deposits and Investments		<u><u>\$ 156,643,750</u></u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 3,004,200
Cash in revolving	61,000
Investments	<u>153,578,550</u>
Total Deposits and Investments	<u><u>\$ 156,643,750</u></u>

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

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 change in market interest rate. The District manages its exposure to interest rate risk by investing in the county pool, LAIF and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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:

Investment Type	Fair Value
County Pool	\$ 114,918,554
State Investment Pool (LAIF)	39,034,401
Total	<u>\$ 153,952,955</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, the District's bank balance was \$3,344,827 with a carrying amount of \$3,065,200. Out of \$3,344,821, \$2,422,979 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Federal Government						
Categorical aid	\$ 2,898,947	\$ -	\$ 18,409	\$ 2,917,356	\$ -	\$ -
State Government						
Apportionment	5,021,741	-	2,232	5,023,973	-	-
Categorical aid	3,367,057	-	-	3,367,057	-	-
Lottery	1,632,413	-	-	1,632,413	-	-
Other State	157,757	-	7,974	165,731	-	-
Local Government						
Interest	120,663	-	13,153	133,816	-	-
Other Local Sources	2,106,329	5,385,946	232,700	7,724,975	284,240	513,786
Total	<u>\$ 15,304,907</u>	<u>\$ 5,385,946</u>	<u>\$ 274,468</u>	<u>\$ 20,965,321</u>	<u>\$ 284,240</u>	<u>\$ 513,786</u>

Additional long term receivables included \$176,782 for a special education settlement with payments expected to be received annually over the next two years.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 281,423,892	\$ 31,500,000	\$ -	\$ 312,923,892
Construction in Progress	83,348,025	17,633,295	31,916,727	69,064,593
Total Capital Assets Not Being Depreciated	364,771,917	49,133,295	31,916,727	381,988,485
Capital Assets Being Depreciated:				
Land Improvements	53,631,844	358,083	-	53,989,927
Buildings and Improvements	628,273,759	79,075,451	1,442,410	705,906,800
Furniture and Equipment	12,665,427	2,682,807	259,057	15,089,177
Total Capital Assets Being Depreciated	694,571,030	82,116,341	1,701,467	774,985,904
Total Capital Assets	1,059,342,947	131,249,636	33,618,194	1,156,974,389
Less Accumulated Depreciation:				
Land Improvements	33,262,773	1,749,102	-	35,011,875
Buildings and Improvements	94,554,249	21,991,212	1,023,001	115,522,460
Furniture and Equipment	7,168,855	1,288,514	234,084	8,223,285
Total Accumulated Depreciation	134,985,877	25,028,828	1,257,085	158,757,620
Governmental Activities Capital Assets, Net	\$ 924,357,070	\$ 106,220,808	\$ 32,361,109	\$ 998,216,769

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

Governmental Activities	
Instruction	\$ 22,981,245
Instructional Supervision and Admin	34,917
Instructional Library, Media and Tech	389,276
School Site Administration	398,025
Home-to-School Transportation	123,123
Food Services	17,462
Ancillary Services	45,167
Community Services	120
All Other General Administration	74,235
Centralized Data Processing	85,345
Plant Services	879,913
Total Depreciation Expenses Governmental Activities	<u>\$ 25,028,828</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2009, 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	
General fund	\$ -	\$ 38,811	\$ 19,083	\$ 57,894
Building fund	64,849	-	143,205	208,054
Non-Major Governmental funds	168,602	-	-	168,602
Total	<u>\$ 233,451</u>	<u>\$ 38,811</u>	<u>\$ 162,288</u>	<u>\$ 434,550</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.

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Building Fund	\$ -	\$ 10,567,276	\$ 125,455	\$ 10,692,731
Non-Major Governmental Funds	2,444,104	-	-	2,444,104
Internal Service Fund	150,000	-	-	150,000
Total	<u>\$ 2,594,104</u>	<u>\$ 10,567,276</u>	<u>\$ 125,455</u>	<u>\$ 13,286,835</u>

The General Fund transferred to the Cafeteria Fund to cover loss from operation.	\$ 409,101
The General Fund transferred to the Deferred Maintenance Fund for the required match and Maintenance Allocation from the State.	2,035,003
The General Fund transferred to the Self Insurance Fund for deductible payments for property loss.	150,000
The Capital Facilities Fund transferred to Building Fund to cover the capital projects' expenditures.	125,455
The County School Facilities Fund transferred to the Building Fund for State Facilities funding on capital projects.	10,567,276
Total	<u>\$ 13,286,835</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	\$ 2,492,868	\$ 2,813,160	\$ 225,203	\$ 5,531,231	\$ 22	\$ 13,338
Salaries and benefits	470,189	451	19,888	490,528	-	-
State apportionment	66,040	14,284	7,463	87,787	-	-
Claims payable	-	-	-	-	479,986	-
Total	<u>\$ 3,029,097</u>	<u>\$ 2,827,895</u>	<u>\$ 252,554</u>	<u>\$ 6,109,546</u>	<u>\$ 480,008</u>	<u>\$ 13,338</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue as of June 30, 2009 consists of the followings:

	General Fund
Federal financial assistance	\$ 1,089,765
State categorical aid	79,972
Total	<u>\$ 1,169,737</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, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$ 327,038,502	\$ 3,125,873	\$ 4,840,452	\$ 325,323,923	\$ 4,665,236
Accumulated vacation - net	1,982,943	6,542	-	1,989,485	-
Capital leases	1,622,768	-	521,067	1,101,701	540,677
Postemployment Benefits	970,996	3,889,512	2,601,687	2,258,821	-
	<u>331,615,209</u>	<u>7,021,927</u>	<u>7,963,206</u>	<u>330,673,930</u>	<u>5,205,913</u>
Premiums, net of amortization	10,247,667	-	502,297	9,745,370	502,297
	<u>\$ 341,862,876</u>	<u>\$ 7,021,927</u>	<u>\$ 8,465,503</u>	<u>\$ 340,419,300</u>	<u>\$ 5,708,210</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 funds 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
FOR THE YEAR ENDED JUNE 30, 2009**

Bonded Debt

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Additions/ Accretion	Redeemed	Bonds Outstanding June 30, 2009
12/1/99	2018	4.15-5.25%	\$ 70,000,000	\$ 76,613,502	\$ 3,125,873	\$4,140,452	\$ 75,598,923
3/1/03	2028	2.0-5.4%	72,000,000	62,425,000	-	700,000	61,725,000
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>\$ 327,038,502</u>	<u>\$ 3,125,873</u>	<u>\$4,840,452</u>	<u>\$ 325,323,923</u>

The outstanding general obligation bonded debt is as follows:

Debt Service Requirements to Maturity

The bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 4,665,236	\$ 15,102,979	\$ 23,683,451
2011	5,821,054	15,497,486	25,289,594
2012	6,949,040	15,747,050	26,665,130
2013	7,808,356	15,967,897	27,671,483
2014	9,016,630	16,128,028	28,990,039
2015-2019	68,318,266	80,837,666	167,377,947
2020-2024	82,175,000	36,854,900	119,635,775
2025-2029	81,445,000	15,201,815	101,632,705
2029-2033	20,750,000	1,100,500	22,220,375
Total	<u>286,948,582</u>	<u>\$ 212,438,321</u>	<u>\$ 543,166,499</u>
Accretions to date	38,375,341		
Total carrying amount	<u>\$ 325,323,923</u>		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$1,989,485.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Capital Leases

The District has entered into agreements to lease various equipment and vehicles. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liabilities on lease agreements with options to purchase are summarized below:

	Cars/Trucks	All Weather Track and Synthetic Turf	Total
Balance, July 1, 2008	\$ 421,277	\$ 1,201,491	\$ 1,622,768
Payments	135,155	385,912	521,067
Balance, July 1, 2009	<u>\$ 286,122</u>	<u>\$ 815,579</u>	<u>\$ 1,101,701</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	\$ 578,201
2011	578,201
Total	1,156,402
Less: Amount Representing Interest	54,701
Present Value of Minimum Lease Payments	<u>\$ 1,101,701</u>

Leased equipment under capital leases in capital assets and accumulated depreciation at June 30, 2009, include the following:

Equipment	\$ 3,879,133
Less: Accumulated depreciation	(972,272)
Total	<u>\$ 2,906,861</u>

Other Postemployment Benefit (OPEB) Obligation

The District accounts for OPEB in accordance with GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The District's annual required contribution for the year ended June 30, 2009, was \$3,889,512 and contributions made by the District during the year were \$2,601,687, which resulted in a net increase in the \$1,287,825 OPEB obligation. 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 FOR THE YEAR ENDED JUNE 30, 2009

NOTE 9 - FUND BALANCES

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

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Reserved						
Revolving cash	\$ 61,000	\$ -	\$ -	\$ -	\$ 61,000	\$ -
Stores inventory	228,722	-	-	29,817	258,539	-
Prepaid expenditures	120,249	23,835	-	3,460	147,544	-
Restricted programs	9,016,871	-	-	-	9,016,871	-
Total Reserved	9,426,842	23,835	-	33,277	9,483,954	-
Unreserved						
Designated						
Economic uncertainties	6,943,171	-	-	-	6,943,171	-
Other designation	14,579,270	506,528	-	3,949,239	19,035,037	-
Total Designated	21,522,441	506,528	-	3,949,239	25,978,208	-
Undesignated	-	56,417,296	6,000,240	22,368,709	84,786,245	12,663,437
Total Unreserved	21,522,441	56,923,824	6,000,240	26,317,948	110,764,453	12,663,437
Total	\$ 30,949,283	\$ 56,947,659	\$ 6,000,240	\$ 26,351,225	\$ 120,248,407	\$12,663,437

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 2008-09, the District contributed \$2,601,687 to the plan, \$2,166,059 of which was used for current premiums (approximately 83 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 \$2,102,645, 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 FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 3,889,512
Contributions made	<u>(2,601,687)</u>
Increase in net OPEB obligation	1,287,825
Net OPEB obligation, beginning of year	970,996
Net OPEB obligation, end of year	<u>\$ 2,258,821</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 3,721,834	74%	\$ 970,996
2009	\$ 3,889,512	67%	\$ 2,258,821

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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.

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 FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, the Trust Fund held net assets in the amount of \$12,663,437, which mainly consisted of \$173,101 on deposit with the county treasurer and investment in CERBT program amounted to \$12,497,741. As of June 30, 2009, CERBT is managed by CalPERS (California Public Employees' Retirement System) that Public agencies can use to establish a trust to prefund future retiree health and other post employment benefits. Separate financial reports are issued by CalPERS for the OPEB plan. The separate financial reports can be obtained by mailing a request to CalPERS.

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, 2009, 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 2009, 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.

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2007 to June 30, 2009:

	Health and Welfare	Property and Liability
Liability Balance, July 1, 2007	\$ 204,931	\$ 79,284
Claims and changes in estimates	2,984,703	1,209,347
Claims payments	<u>(2,984,712)</u>	<u>(1,109,852)</u>
Liability Balance, June 30, 2008	204,922	178,779
Claims and changes in estimates	\$ 3,184,365	\$ 208,920
Claims payments	<u>(3,128,362)</u>	<u>(168,638)</u>
Liability Balance, June 30, 2009	<u>\$ 260,925</u>	<u>\$ 219,061</u>
Assets available to pay claims at June 30, 2009	<u>\$ 743,759</u>	<u>\$ 230,773</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

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 2008-2009 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, 2009, 2008, and 2007, were \$8,765,652, \$9,207,461, and \$7,918,408, respectively, and equal 100 percent of the required contributions for each year.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$2,919,738, \$2,772,273, and \$2,499,458, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,812,593 (4.517 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

NOTE 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, 2009.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009.

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
2010	\$ 476,852
2011	450,486
2012	365,580
2013	203,077
2014	27,557
Total	<u>\$ 1,523,552</u>

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion	Funding Source
San Ramon Valley High Gym	\$ 60,200	August 2009	Measure A
Twin Creeks Multi Purpose Room	2,870,000	May 2010	Measure A
California High School phase III	6,286,740	December 2009	Measure A
San Ramon Valley High Career Tech	1,485,680	November 2009	Measure A
Los Cerros Kitchen/Restroom	1,316,334	December 2009	Measure A
Cal High HVAC replacement	208,825	September 2009	Measure A
	<u>\$ 12,227,779</u>		

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, the District made payment of \$2,831,309 and \$1,050,795 to Contra Costa County Schools Insurance Group and Northern California Regional Excess Liability Fund, respectively for insurance coverage.

NOTE 15 – FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 16 – TAX AND REVENUE ANTICIPATION NOTES

On November 4, 2008, the District issued \$25,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.25 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on November 19, 2009.

NOTE 17 – SUBSEQUENT EVENTS

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were “unallocated, unexpended, or not liquidated as of June 30, 2009” to revert to the State’s General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or un-liquidated categorical program balances identified in the July 2009 State Budget package prior to notification of by the State that the 2009-2010 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, an adjustment to reduce revenue and the related receivables has been included in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual (GAAP Basis)	Variations -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 148,222,581	\$ 148,393,337	\$ 148,391,231	\$ (2,106)
Federal sources	4,582,678	14,045,444	13,552,898	(492,546)
Other state sources	37,981,284	39,035,672	40,088,408	1,052,736
Other local sources	21,240,220	24,379,458	24,155,788	(223,670)
Total Revenues¹	212,026,763	225,853,911	226,188,325	334,414
EXPENDITURES				
Current				
Instruction	137,606,880	143,345,413	144,800,670	(1,455,257)
Instruction-related activities:				
Supervision of instruction	5,677,619	6,472,980	6,096,257	376,723
Instructional library, media, and technology	2,825,425	3,167,878	3,138,983	28,895
School site administration	16,899,913	17,196,366	16,417,348	779,018
Pupil services:				
Home-to-school transportation	2,955,987	2,987,458	3,074,428	(86,970)
Food services	-	141,028	141,028	-
All other pupil services	9,419,686	9,374,481	9,137,206	237,275
General administration:				
Data processing	2,065,447	2,018,206	1,953,870	64,336
All other general administration	8,150,067	8,262,431	7,834,808	427,623
Plant services	23,892,308	23,940,716	22,310,493	1,630,223
Facility acquisition and construction	-	-	248,776	(248,776)
Ancillary services	2,033,952	2,549,249	2,515,201	34,048
Community services	320,708	322,550	282,529	40,021
Other outgo	1,608,520	1,614,615	1,614,458	157
Debt service				
Principal	135,155	135,155	135,155	-
Interest	16,219	586,378	586,378	-
Total Expenditures¹	213,607,886	222,114,904	220,287,588	1,827,316
Excess (Deficiency) of Revenues Over Expenditures	(1,581,123)	3,739,007	5,900,737	2,161,730
Other Financing Sources (Uses):				
Transfers out	(1,369,204)	(2,594,104)	(2,594,104)	-
Net Financing Sources (Uses)	(1,369,204)	(2,594,104)	(2,594,104)	-
NET CHANGE IN FUND BALANCES	(2,950,327)	1,144,903	3,306,633	2,161,730
Fund Balance - Beginning	27,642,650	27,642,650	27,642,650	-
Fund Balance - Ending	\$ 24,692,323	\$ 28,787,553	\$ 30,949,283	\$ 2,161,730

¹ On behalf payments of \$4,812,593 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
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress

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

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SUPPLEMENTARY INFORMATION

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Elementary & Secondary Education Act			
Title I - Part A, Basic Grants	84.010	14981	\$ 322,001
ARRA - State Fiscal Stabilization Fund	84.394	25008	2,658,812
No Child Left Behind			
Title II - Improving Teacher Quality	84.367	14341	418,392
Title III - Limited English Proficiency	84.365	10084	113,270
Title III - Immigrant Education Program	84.365	14346	34,537
Title IV - Drug Free Schools	84.186	14347	16,173
Title V - Innovative Education Strategies	84.298A	14354	12,805
Vocational Education	84.048	13924	62,523
Special Education - State Grants			
Preschool Grants	84.173	13430	191,226
Local Assistance	84.027	13379	3,160,109
Preschool Local Entitlement	84.027A	13682	382,614
Early Intervention	84.181	23761	75,121
Preschool Staff Development	84.173A	13431	1,396
Total U.S. Department of Education			<u>7,448,979</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch	10.553	13390	396,368
Fair Market Value of Commodities ^[1]	10.555	13396	174,611
Total U.S. Department of Agriculture			<u>570,979</u>
Total Expenditures of Federal Awards			<u>\$ 8,019,958</u>

¹ 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, 2009

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, eight middle schools, four high schools, a continuation, and an independent study.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Bill Clarkson	President	2010
Rachel Hurd	Vice President	2010
Paul Gardner	Clerk	2012
Grey Marvel	Member	2012
Ken Mintz	Member	2010

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Steven Enoch	Superintendent
Gary Black	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, 2009**

	Amended Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	2,018	2,015
First through third	6,055	6,053
Fourth through sixth	6,019	6,015
Seventh and eighth	3,956	3,953
Opportunity schools		
Home and hospital	3	3
Special education	267	268
Total Elementary	18,318	18,307
SECONDARY		
Regular classes	7,703	7,681
Continuation education	48	49
Home and hospital	2	3
Special education	146	145
Total Secondary	7,899	7,878
Total K-12	26,217	26,185
CLASSES FOR ADULTS		
Concurrently enrolled	8	8
Full-time independent study	4	4
Total Classes for Adults	12	12
Grand Total	26,229	26,197
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		106,947
High school		93,326
Total Hours		200,273

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2008-2009 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,680	36,000	36,069	180	In compliance
Grades 1 - 3					
Grades 1	46,640	50,400	52,010	180	In compliance
Grades 2	46,640	50,400	52,010	180	In compliance
Grades 3	46,640	50,400	52,010	180	In compliance
Grades 4 - 6					
Grades 4	52,500	54,000	54,190	180	In compliance
Grades 5	52,500	54,000	54,190	180	In compliance
Grades 6	52,500	54,000	59,762	180	In compliance
Grades 7 - 8					
Grades 7	59,448	54,000	59,754	180	In compliance
Grades 8	59,448	54,000	59,734	180	In compliance
Grades 9 - 12					
Grades 9	61,599	64,800	67,315	180	In compliance
Grades 10	61,599	64,800	67,925	180	In compliance
Grades 11	61,599	64,800	67,440	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, 2009**

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

FORM DEBT

Total Liabilities, June 30, 2009, Unaudited Actuals	\$ 340,921,597
Decrease in premium on bonds payable	<u>502,297</u>
Total Liabilities, June 30, 2009, Audited Financial Statement	<u><u>\$ 340,419,300</u></u>

FUND BALANCE

	<u>General Fund</u>
Unaudited Balance, June 30, 2009	\$ 34,723,389
Decrease in accounts receivable ¹	<u>3,774,106</u>
Audited Balance, June 30, 2009	<u><u>\$ 30,949,283</u></u>

¹ The adjustment is the ABX4 3 categorical un-appropriated state categorical as described in Note 17 Subsequent Event

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	(Budget) 2009 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 209,976,001	\$ 225,149,838	\$ 212,537,951	\$ 201,318,200
Other sources and transfers in	-	-	-	380,411
Total Revenues and Other Sources	209,976,001	225,149,838	212,537,951	201,698,611
Expenditures	214,171,243	215,474,996	208,532,655	195,130,124
Other uses and transfers out	1,350,000	2,594,103	1,506,772	1,697,795
Total Expenditures and Other Uses	215,521,243	218,069,099	210,039,427	196,827,919
INCREASE (DECREASE) IN FUND BALANCE	\$ (5,545,242)	\$ 7,080,739	\$ 2,498,524	\$ 4,870,692
ENDING FUND BALANCE	\$ 29,178,147	\$ 34,723,389	\$ 27,642,650	\$ 25,144,126
AVAILABLE RESERVES^{2,4}	\$ 8,673,727	\$ 7,193,171	\$ 6,767,520	\$ 6,653,259
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	4.02%	3.30%	3.22%	3.46%
LONG-TERM DEBT	\$ 334,711,090	\$ 340,419,300	\$ 341,862,876	\$ 344,975,420
K-12 AVERAGE DAILY ATTENDANCE AT P-2	26,435	26,217	25,170	23,918

The General Fund balance has increased by \$9,579,263 over the past two years. The fiscal year 2009-2010 budget projects a decrease of \$5,545,242 (sixteen 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 2009-2010 fiscal year. Total long-term obligations have decreased by \$4,556,120 over the past two years.

Average daily attendance has increased by 2,299 over the past two years. Additional growth of 218 ADA is anticipated during fiscal year 2009-2010.

1 Budget 2010 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 \$4,812,593 \$4,493,714, and \$4,330,708 have been excluded from the revenue, expenditures, and calculation of available reserves for fiscal years ending June 30, 2009, 2008, and 2007.

4 The District recorded the revenue and related receivable associated with its portion of the 2008-09 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-10 re-appropriation in the July 2009 State Budget package prior to notification of by the State that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No .33, an adjustment to reduce revenue and the related receivable have been included in these financial statements. See Note 17 Subsequent Event. California Education Code Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$3,774,106 of un-appropriated revenues has been included in the Available Reserves totals that are not reflected in the Audited Financial Statements.

See accompanying note to supplementary information.

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SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 44,203	\$ 393,552	\$ 2,301,294
Receivables	9,989	23,519	-
Due from other funds	44	161,236	-
Prepaid expenses	-	-	-
Stores inventories	-	29,817	-
Total Assets	\$ 54,236	\$ 608,124	\$ 2,301,294
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ 342,086	\$ -
Accounts payable	1,392	234,463	8,836
Due to other funds	348	1,758	90
Total Liabilities	1,740	578,307	8,926
Fund Balances:			
Reserved for:			
Other reservations	-	29,817	-
Unreserved:			
Designated	-	-	-
Undesignated, reported in:			
Special revenue funds	52,496	-	2,292,368
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balance	52,496	29,817	2,292,368
Total Liabilities and Fund Balances	\$ 54,236	\$ 608,124	\$ 2,301,294

See accompanying note to supplementary information

Special Reserve Non-Capital Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 3,946,299	\$ 5,833,947	\$ 14,112,511	\$ 26,631,806
-	227,807	13,153	274,468
2,940	4,382	-	168,602
-	3,460	-	3,460
-	-	-	29,817
<u>\$ 3,949,239</u>	<u>\$ 6,069,596</u>	<u>\$ 14,125,664</u>	<u>\$ 27,108,153</u>
\$ -	\$ -	\$ -	\$ 342,086
-	7,855	8	252,554
-	160,081	11	162,288
<u>-</u>	<u>167,936</u>	<u>19</u>	<u>756,928</u>
-	3,460	-	33,277
3,949,239	-	-	3,949,239
-	-	-	2,344,864
-	-	14,125,645	14,125,645
-	5,898,200	-	5,898,200
<u>3,949,239</u>	<u>5,901,660</u>	<u>14,125,645</u>	<u>26,351,225</u>
<u>\$ 3,949,239</u>	<u>\$ 6,069,596</u>	<u>\$ 14,125,664</u>	<u>\$ 27,108,153</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 29,122	\$ -	\$ -
Federal sources	-	396,368	-
Other state sources	-	13,568	-
Other local sources	405	4,309,713	6,320
Total Revenues	29,527	4,719,649	6,320
EXPENDITURES			
Current			
Instruction	23,307	-	-
Pupil services:			
Food services	-	5,129,719	-
General administration:			
All other general administration	1,142	818	-
Plant services	-	-	1,051,399
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	24,449	5,130,537	1,051,399
Excess (Deficiency) of Revenues Over Expenditures	5,078	(410,888)	(1,045,079)
Other Financing Sources (Uses):			
Transfers in	-	409,101	2,035,003
Transfers out	-	-	-
Net Financing Sources (Uses)	-	409,101	2,035,003
NET CHANGE IN FUND BALANCES	5,078	(1,787)	989,924
Fund Balance - Beginning	47,418	31,604	1,302,444
Fund Balance - Ending	\$ 52,496	\$ 29,817	\$ 2,292,368

See accompanying note to supplementary information

Special Reserve Non-Capital Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 29,122
-	-	-	396,368
-	-	130,628	144,196
42,542	718,358	19,214,289	24,291,627
<u>42,542</u>	<u>718,358</u>	<u>19,344,917</u>	<u>24,861,313</u>
-	-	-	23,307
-	-	-	5,129,719
-	-	-	1,960
-	544,997	-	1,596,396
-	258,983	-	258,983
-	-	4,840,452	4,840,452
-	-	14,894,514	14,894,514
-	803,980	19,734,966	26,745,331
<u>42,542</u>	<u>(85,622)</u>	<u>(390,049)</u>	<u>(1,884,018)</u>
-	-	-	2,444,104
-	(125,455)	-	(125,455)
-	(125,455)	-	2,318,649
42,542	(211,077)	(390,049)	434,631
3,906,697	6,112,737	14,515,694	25,916,594
<u>\$ 3,949,239</u>	<u>\$ 5,901,660</u>	<u>\$ 14,125,645</u>	<u>\$ 26,351,225</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2009

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 13,949,266
Commodities received	10.555	174,611
ARRA - State Fiscal Stabilization Fund	84.394	(6,103,919)
Total Schedule of Expenditures of Federal Awards		<u>\$ 8,019,958</u>

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.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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.

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

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.

SUPPLEMENTARY INFORMATION - UNAUDITED

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, 2009**

Assessed Valuation	\$ 35,609,113,552
Less: Exemptions	<u>(487,332,428)</u>
Total 2008-09 Assessed Valuation	<u><u>\$ 35,121,781,124</u></u>

See accompanying note to supplementary information - unaudited.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - *UNAUDITED*
JUNE 30, 2009

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.

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INDEPENDENT AUDITORS' REPORTS



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

Governing Board
San Ramon Valley Unified School District
Danville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Ramon Valley Unified School District as of and for the year ended June 30, 2009, which collectively comprise San Ramon Valley Unified School District's basic financial statements and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Ramon Valley Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Ramon Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Ramon Valley Unified School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of San Ramon Valley Unified School District in a separate letter dated November 30, 2009.

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

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
November 30, 2009



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

Governing Board
San Ramon Valley Unified School District
Danville, California

Compliance

We have audited the compliance of San Ramon Valley Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2009. San Ramon Valley Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Ramon Valley Unified School District's management. Our responsibility is to express an opinion on San Ramon Valley Unified School District's compliance based on our audit.

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

In our opinion, San Ramon Valley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of San Ramon Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Ramon Valley Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Ramon Valley Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
November 30, 2009



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
San Ramon Valley Unified School District
Danville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Ramon Valley Unified School District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07, 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.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	No (see below)
Adult education	9	Not applicable
Regional occupational centers and programs	6	Not applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Community day schools	3	Not applicable
Morgan-Hart Class Size Reduction	7	Not applicable ¹

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	8	1 ²
K-8 only	1	Not applicable ¹
9-12 only	1	Not applicable ¹
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	Not applicable

¹ This program is not required to be audited per flexibility provisions in SBX3 4

² The number of procedures to be performed was reduced per flexibility provisions in SBX3 4. Section 19828.3 procedures (b), (c), and (e) were not performed

We did not perform testing for continuation education because the ADA was less than the threshold for testing.

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

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

Pleasanton, California
November 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.101</u>	<u>Title I</u>
<u>84.367</u>	<u>Title II</u>
<u>10.553/10.555</u>	<u>National School Lunch Program</u>
<u>84.394</u>	<u>ARRA - State Fiscal Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS

None noted

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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

Financial Statement Findings

2008-1 VACATION ACCRUAL (60000)

Criteria or Specific Requirements

According to the board policy of the District, an employee may accumulate vacation time up to 40 days for confidential employees and 15 days for classified employees. The District shall advise the employee quarterly of his/her accumulated vacation balance. It is the employee's responsibility to request approval to use accumulated vacation time. Any vacation in excess of the limits could be paid by the end of the fiscal year or be lost effective with the beginning of the new fiscal year (July 1st).

Condition

In our review of the compensated absences policy, we found that some employees' vacation accruals exceeded the maximum vacation carryover as noted above.

Questioned Costs

There are no questioned costs associated with this condition

Context

The above issue was revealed during prior and current year verification of vacation accrual.

Effect

Not in compliance with the District's policy and excessive liability in compensated absences.

Cause

The board policy was not followed and there was insufficient monitoring of accumulated vacation.

Recommendation

In order to safeguard the District's interest and to limit its potential liabilities, the District should enforce its vacation policy and have a designated employee keep track of vacation balances.

Current Status

Implemented

2008-2 CAPITAL ASSETS (60000)

Criteria or Specific Requirements:

The District has the responsibility to ensure that information reported on Assets Form is valid and reconciled with the supporting documentation.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Condition:

During our review of equipment disposal schedule, it was noted that none of the equipment approved during the May 2 and June 10 board meetings was listed in the schedule.

Questioned Costs

There are no questioned costs associated with this condition since most assets are fully depreciated.

Context

The above item was found during the testing of capital assets.

Effect

Disposed assets may not be properly accounted for.

Cause

No procedure was in place to verify the approved disposals with the listing maintained by the district.

Recommendation

We recommend that the District consult with the software company for proper use of the fixed asset program module. A separate review of the Assets Form with the supporting reports should be completed before finalizing the form.

Current Status

Implemented

2008-3 CAFETERIA (30000)

Criteria or Specific Requirements

The District is responsible for establishing and maintaining a system to ensure that there are sound internal controls over cash disbursements, including pre-approval before orders are placed.

Condition

In our examination of Cafeteria disbursements, it was noted that there was no written policies and procedures. In addition, there was no evidence of bidding procedures undertaken for any larger contracts. Disbursements did not always have pre-approval documentation and purchase order or alternative form was not always used before ordering. The overall process was rather informal. Most items were ordered by Cafeteria director over the phone from vendors and the District made payments upon receiving the invoices.

Questioned Costs

There are no questioned costs associated with this condition

Context

The above condition was noted during the testing of Cafeteria disbursements procedures

Effect

Higher risk for error and/or fraud

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Cause

Insufficient internal control procedures in place

Recommendation

The District should implement written policies and procedures with regards to the disbursement process. Formal pre-approval should be enforced before making the purchases and the District should comply with the bidding requirements in their purchase process.

Current Status

Implemented

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL OPINION

[Delivery Date]

San Ramon Valley Unified School District
Joint Powers Financing Authority
Danville, California

San Ramon Valley Unified School District
Danville, California

San Ramon Valley Unified School District Joint Powers Financing Authority
Federally Taxable Lease Revenue Bonds, Series 2010
(Qualified School Construction Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Ramon Valley Unified School District Joint Powers Financing Authority (the "Issuer") in connection with the issuance by the Issuer of \$25,000,000 aggregate principal amount of bonds designated as "San Ramon Valley Unified School District Joint Powers Financing Authority Federally Taxable Lease Revenue Bonds, Series 2010 (Qualified School Construction Bonds)" (the "Bonds"). The Bonds are issued under and pursuant to a trust agreement, dated as of July 1, 2010 (the "Trust Agreement") by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

In such connection, we have reviewed the Trust Agreement, a facility lease, dated as of July 1, 2010 (the "Facility Lease"), between the Issuer and the San Ramon Valley Unified School District (the "District"), a facility sublease, dated as of July 1, 2010 (the "Facility Sublease"), between the Issuer and the District, certificates of the Issuer, the District, the Trustee and others, opinions of counsel to the Issuer, the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Facility Lease and the Facility Sublease. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Facility Lease and the Facility Sublease, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Trust Agreement, the Facility Lease or the Facility Sublease or the accuracy or sufficiency of the

description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the official statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by the Issuer and is a valid and binding agreement of the Issuer.
3. The Facility Lease and the Facility Sublease have been duly executed and delivered by, and constitute valid and binding obligations of, the Issuer and the District, and the obligation of the District to make the Base Rental Payments (as defined in the Facility Sublease) during the term of the Facility Sublease constitutes a valid and binding obligation of the District, payable from funds of the District lawfully available therefor.
4. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties that may be imposed under the Internal Revenue Code of 1986, or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

FORM OF 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 San Ramon Valley Unified School District Joint Powers Financing Authority of its Federally Taxable Lease Revenue Bonds, Series 2010 (Qualified School Construction Bonds) (the "Bonds"), in the aggregate principal amount of \$25,000,000. The Bonds are being issued pursuant to that certain Trust Agreement dated as of July 1, 2010 (the "Trust Agreement"), by and between the Bank of New York Mellon Trust Company, N.A. (the "Trustee") and the Authority, and acknowledged by the District. The District is an obligated person with respect to the Bonds. Pursuant to Section 8.04 of the Trust Agreement, 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 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

"Participating Underwriter" shall mean Stone & Youngberg LLC or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"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.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2009-10 Fiscal Year (which is due not later than April 1, 2011), provide to the Participating Underwriter and the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the

MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 15 business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

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

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

- * Adopted budget of the District for the current fiscal year, or a summary thereof
- * Any interim budget reports approved by the Board of Education as of the date of filing of the Annual Report, or a summary thereof.
- * District outstanding debt, including all long-term obligations payable from the District's general fund, issued since the end of the year to which the audited financial statements relate.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond Holders;
8. Optional, unscheduled or contingent Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes.
12. On the third anniversary of the date of this Disclosure Certificate, the existence of any balance in the Project Fund consisting of unspent Bond proceeds

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (a)(8) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement. The notice of Listed Event must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. 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 Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. 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 Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

SECTION 8. 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 Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original

issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver (i) is approved by Holders in the manner provided in the Trust Agreement for amendments thereto with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

SECTION 9. 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee or any Holder or Beneficial Owner may (and the Trustee shall, at the request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Bonds Outstanding, and provided satisfactory indemnification is provided to the Trustee), 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; provided that any such action may be instituted only in Superior Court of the State of California in and for the County of Contra Costa or in U.S. District Court in or nearest to the County. 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 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Authority, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____

**SAN RAMON VALLEY UNIFIED SCHOOL
DISTRICT**

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: San Ramon Valley Unified School District Joint Powers Financing Authority
Name of Issue: San Ramon Valley Unified School District Joint Powers Financing Authority
Federally Taxable Lease Revenue Bonds, Series 2010 (Qualified School
Construction Bonds)
Date of Issuance: _____, 2010

NOTICE IS HEREBY GIVEN that the San Ramon Valley Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 2 of its Continuing Disclosure Certificate, dated as of the date of issuance. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

San Ramon Valley Unified School District

[to be signed only if filed] _____

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APPENDIX E

COUNTY OF CONTRA COSTA INVESTMENT POLICY

SUMMARY OF POOLED INVESTMENT FUND

In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer-Tax Collector of the County (the "County Treasurer"). The following information has been provided by the County Treasurer. The District has not independently verified this information and takes no responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the Authority, and "Agent" means the Trustee.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. 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 and www.dtc.org.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to

whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

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

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

