NEW ISSUE -- FULL BOOK-ENTRY 2011-0731 **RATINGS: Moody's: "Aa1"; S&P: "AA"**
(See "RATINGS")

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

$37,999,105.55
ACALANES UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
Election of 2008 General Obligation Bonds, Series B

Dated: Date of Delivery **Due: August 1, as shown on inside cover**

This cover page contains information for cursory reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.

The Acalanes Union High School District (Contra Costa County) California, Election of 2008 General Obligation Bonds, Series B (the "Bonds") are being issued by the Acalanes Union High School District (the "District") to renovate, repair, construct and equip certain District schools, sites and facilities and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds. The Bonds were authorized at an election of the registered voters of the District held on November 4, 2008 (the "Authorization"), at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $93,000,000 principal amount of general obligation bonds.

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Contra Costa County (the "County") is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Accreted Value or Conversion Value of and interest on the Bonds, as appropriate, upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as capital appreciation bonds (the "Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds"). The Capital Appreciation Bonds are dated the date of delivery (the "Date of Delivery") and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2011 to maturity (the "Maturity Value"). The Capital Appreciation Bonds will not pay interest on a current basis and are payable only at maturity. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof.

The Convertible Capital Appreciation Bonds accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011, to August 1, 2024 (the "Conversion Date") and bear interest from such Conversion Date on the Accreted Value thereof as of the Conversion Date (the "Conversion Value"), payable semiannually on February 1 and August 1 of each year, commencing February 1, 2025. Following the Conversion Date, interest with respect to the Convertible Capital Appreciation Bonds will be payable semiannually on February 1 and August 1. The Convertible Capital Appreciation Bonds will be executed in denominations of $5,000 Conversion Value and any integral multiple thereof.

Payments of Accreted Value or Conversion Value of and interest on the Bonds, as appropriate, will be made by The Bank of New York Mellon Trust Company, N.A., as Bond Registrar and Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry Only System.")

The Bonds are subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE
(see inside cover)

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about July 20, 2011.

PiperJaffray.

Dated: June 29, 2011

MATURITY SCHEDULE

$37,999,105.55
ACALANES UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
Election of 2008 General Obligation Bonds, Series B

Base CUSIP©: 004284

$13,677,301.05 Capital Appreciation Term Bonds

Maturity (August 1)	Denominational Amount	Accretion Rate	Reoffering Yield	Maturity Value	CUSIP©
2046	$13,677,301.05	7.300%	7.300%	$168,585,000.00	ZJ7

$2,588,490.50 Convertible Capital Appreciation Term Bonds maturing on August 1, 2028

Maturity (August 1)	Denominational Amount	Accretion Rate to Conversion	Conversion Date (August 1)	Conversion Value	Interest Rate After Conversion	Reoffering Yield	CUSIP©
2028	$2,588,490.50	5.650%	2024	$5,350,000.00	5.650%	5.650%	ZF5

$4,947,866.50 Convertible Capital Appreciation Term Bonds maturing on August 1, 2032

Maturity (August 1)	Denominational Amount	Accretion Rate to Conversion	Conversion Date (August 1)	Conversion Value	Interest Rate After Conversion	Reoffering Yield	CUSIP©
2032	$4,947,866.50	6.000%	2024	$10,690,000.00	6.000%	6.000%	ZG3

$16,785,447.50 Convertible Capital Appreciation Term Bonds maturing on August 1, 2039

Maturity (August 1)	Denominational Amount	Accretion Rate to Conversion	Conversion Date (August 1)	Conversion Value	Interest Rate After Conversion	Reoffering Yield	CUSIP©
2039	$16,785,447.50	6.550%	2024	$38,875,000.00	6.550%	6.550%	ZH1

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy 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.

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

> "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS 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 SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

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

District Administration

John Nickerson, Ed.D., *Superintendent*
Christopher Learned, *Associate Superintendent, Business Services*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

Keygent LLC
El Segundo, California

UNDERWRITER

Piper Jaffray & Co.
El Segundo, California

BOND REGISTRAR/PAYING AGENT

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

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ACALANES UNION HIGH SCHOOL DISTRICT
(Contra Costa County, California)
Election of 2008 General Obligation Bonds, Series B

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of Acalanes Union High School District (Contra Costa County, California) Election of 2008 General Obligation Bonds, Series B in the principal amount of $37,999,105.55 (the "Bonds").

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

Changes Since Date of Preliminary Official Statement

On June 30, 2011, the Governor signed the 2011-12 State Budget for fiscal year 2011-12 (the "2011-12 Budget"). For a summary of the 2011-12 Budget, see "DISTRICT FINANCIAL MATTERS – State Budget Measures" herein. On June 29, 2011, the District's Board of Trustees adopted its fiscal year 2011-12 budget. For a summary of the District's 2011-12 adopted budget, see "DISTRICT FINANCIAL MATTER – District Budgets" herein.

The District

The Acalanes Union High School District (the "District") is located in the western portion of Contra Costa County (the "County") approximately 20 miles east of San Francisco. The District operates four comprehensive high schools and one alternative high school and encompasses an area of approximately 80 square miles and has an estimated population of 111,346.

The District was established in 1940 and provides secondary educational services to the residents of the Cities of Lafayette and Orinda, the Town of Moraga, a portion of the City of Walnut Creek, and of certain surrounding unincorporated areas in Contra Costa County. The 2010-11 assessed valuation of the area served by the District is $24,081,936,420. The District's projected average daily attendance for fiscal year 2010-11 is 5,352.

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

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Accreted Value (as defined herein) of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment."

Purpose of Issue

The Bonds are being issued to renovate, repair, construct and equip certain District schools, sites and facilities (the "Project"), as authorized by the voters of the District at the election on November 4, 2008, and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds."

Description of the Bonds

Capital Appreciation Bonds and Convertible Capital Appreciation Bonds. The Bonds will be issued as capital appreciation bonds (the "Capital Appreciation Bonds") and convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds"). The Capital Appreciation Bonds mature on August 1 in the years indicated on the inside cover page hereof, are payable only at maturity (unless optionally redeemed) and will not pay interest on a current basis. The Maturity Value of a Capital Appreciation Bond is equal to its Accreted Value on the maturity date thereof. The accreted value (the "Accreted Value") of any Capital Appreciation Bond (or, prior to conversion thereof, any Convertible Capital Appreciation Bond) is equal to the sum of its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the delivery date thereof and the date of calculation of such Accreted Value. The Convertible Capital Appreciation Bonds mature on August 1 in the years indicated on the inside cover page hereof. Each Convertible Capital Appreciation Bond bears interest on its Conversion Value from its Conversion Date, all as indicated on the inside cover page hereof. The Conversion Value of a Convertible Capital Appreciation Bond is equal to its Accreted Value upon the Conversion Date thereof (the "Conversion Value").

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System." In event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 Maturity Value or $5,000 Conversion Value, as applicable, or any integral multiple thereof.

Redemption. The Capital Appreciation Bonds maturing on August 1, 2046 may be redeemed before maturity at the option of the District from any source of funds, on August 1, 2021 or on any date thereafter, as a whole or in part, as further described herein. The Convertible Capital Appreciation Bonds maturing on August 1, 2039 may be redeemed before maturity at the option of the District from any source of funds, on August 1, 2029 or on any date thereafter, as a whole or in part, as further described herein. The Capital Appreciation Term Bonds are subject to mandatory sinking fund redemption as further described herein. The Convertible Capital Appreciation Term Bonds are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption."

Payments. Interest on the Capital Appreciation Bonds accretes on the basis of a 360-day year of 12, 30-day months from the Date of Delivery at the accretion rates set forth in the table of accreted values as shown in APPENDIX E, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Maturity Value of the Capital Appreciation Bonds (or Accreted Value if redeemed prior to maturity) is payable on August 1, in the amounts and years as set forth in APPENDIX E and on the inside front cover page hereof. Each Convertible Capital Appreciation Bond accretes in value from its Denominational Amount on the Date of Delivery to its Conversion Value on August 1, 2024 (the "Conversion Date") at the Accretion Rate per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011, and thereafter bears interest from such Conversion Date on its Conversion Value, payable semiannually on each February 1 and August 1, commencing February 1, 2025. Payments of Accreted Value or Conversion Value of and interest on the Bonds, as appropriate, will be made The Bank of New York Mellon Trust Company, N.A., as the bond registrar and paying agent (in such capacity, the "Bond Registrar").

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), based on existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issued discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issued discount) on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. See "TAX MATTERS."

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District on June 1, 2011. See "THE BONDS – Authority for Issuance."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 20, 2011.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of listed events required to be provided are summarized below under the captions "LEGAL MATERS – Continuing Disclosure" and APPENDIX C – Form of Continuing Disclosure Certificate."

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds. The Bank of New York Mellon Trust Company, N.A., Los Angeles, California is acting as registrar, transfer agent and paying agent for the Bonds. Keygent LLC, El Segundo, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Acalanes Union High School District, 1212 Pleasant Hill Road, Lafayette, California, 94549, telephone: (925) 280-3900. The District may impose a charge for copying, mailing and handling.

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 herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 *et seq*. (the "Act"), Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on June 1, 2011 (the "Resolution"). The District received authorization at an election held on November 4, 2008 (the "Authorization") to issue not-to-exceed $93,000,000 of general obligation bonds. On March 17, 2010, the District issued its Election of 2008 General Obligation Bonds, Series A (the "Series A Bonds") in the aggregate principal amount of $29,999,817.55. The Bonds represent the second series of bonds issued under the Authorization. After the issuance of the Bonds, $25,001,076.90 of the Authorization will remain.

Security and Sources of Payment

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of Accreted Value or Conversion Value of and interest on, as appropriate, the Bonds upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the Accreted Value or Conversion Value of and interest on the Bonds, as appropriate, when due. Such taxes, when collected, will be deposited by the County into the Acalanes Union High School District General Obligation Bonds, Series B Debt Service Fund (the "Debt Service Fund"), which is segregated and maintained by the County and which shall be applied to the payment of the Accreted Value or Conversion Value of and interest on, as appropriate, the Bonds when due, as provided in the Act. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will maintain the Debt Service Fund, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF BONDS."

The moneys in the Debt Service Fund, to the extent necessary to pay the Accreted Value or Conversion Value of and interest on, as appropriate, the Bonds, as the same become due and payable, shall be transferred by the County to the Bond Registrar which, in turn, shall pay such moneys to DTC to pay, as the case may be, the Accreted Value or Conversion Value of and interest on the Bonds, as appropriate. DTC will thereupon make payment of interest, Conversion Value and Maturity Value of the Bonds to the DTC Participants who will thereupon make payments of interest and Accreted Value to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS."

Description of the Bonds

The Bonds will be issued in fully registered book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interest in the Bonds. DTC will act as securities depository of the Bonds. See "THE BONDS – Book-Entry Only System."

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from their date of delivery at the accretion rates per annum set forth on the inside cover hereof, compounded semiannually on February 1 and August 1 of each year commencing on August 1, 2011. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date. Interest on each Capital Appreciation Bond (and prior to the Conversion Date, each Convertible Capital Appreciation Bond) is represented by the amount each Capital Appreciation Bond accretes in value from its Denominational Amount on the date of delivery to the date for which Accreted Value is calculated. The Accreted Value (the "Accreted Value") of a Capital Appreciation Bond (and prior to the Conversion Date, each Convertible Capital Appreciation Bond) is calculated by discounting on a 30-day month, 360-day year basis its Maturity Value (or in the case of a Convertible Capital Appreciation Bond, its Conversion Value) on the basis of a constant interest rate (the "Accretion Rate") compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 and August 1. See "APPENDIX E – Table of Accreted Values."

While the Convertible Capital Appreciation Bonds are outstanding as Capital Appreciation Bonds, they will not represent interest on a current basis but will accrete in value to an amount equal to the Conversion Value. The Conversion Value represents the Denominational Amount thereof plus interest accreted thereon through the Conversion Date, calculated from the date of delivery to any date of calculation at the Accretion Rate set forth on the inside cover page hereof, compounded on each February 1 and August 1, assuming in any such semiannual period that the Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

Following the Conversion Date, the Convertible Capital Appreciation Bonds will be in the form of Current Interest Bonds and represent periodic interest payable semiannually on each February 1 and August 1, commencing February 1, 2025. Interest on the such Convertible Capital Appreciation Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Convertible Capital Appreciation Bonds after the Conversion Date shall bear interest from the Bond Payment Date next preceding the date of authentication, unless (i) it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date (a "Record Date") to that Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or (ii) it is authenticated on or before January 15, 2025, it which event it shall bear interest from the Conversion Date.

Payment of interest on Convertible Capital Appreciation Bonds after the Conversion Date on any Bond Payment Date shall be made to the person appearing on the registration books of the Bond Registrar the owner of such Bond (an "Owner" or "Bondowner") thereof as of the close of business on the Record Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date, at his address as it appears on such registration books or at such other address as he may have filed with the Bond Registrar for that purpose on or before the Record Date. The Owner in an aggregate Conversion Value of $1,000,000 or more may request in writing to the Bond Registrar that such Owner be paid interest by wire transfer to the bank and account number on file with the Bond Registrar as of the Record Date. The Accreted Value and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender at the principal office of the Bond Registrar. The interest, Maturity Value, Conversion Value and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Bonds Registrar is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of Accreted Value or Conversion Value of and interest on, as appropriate, the Bonds will be made by the Bond Registrar to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See "THE BONDS – Book-Entry Only System."

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of Maturity Value, Conversion Value or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of 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.

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

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.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Holders of the Bonds (other than under the caption "Tax Matters") will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

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

Bond Registrar

The Bank of New York Mellon Trust Company, N.A., located in Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "Bond Registrar"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Bond Registrar will send any notice of prepayment or other notices to Owners only to DTC.

Neither the Bond Registrar, the District, the Financial Advisor, nor the Underwriter of the Bonds have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

Redemption

Optional Redemption. The Capital Appreciation Bonds maturing on August 1, 2046, may be redeemed prior to maturity at the option of the District, from any source of funds, on August 1, 2021 or on any date thereafter, as a whole or in part, at a redemption price equal to the Accreted Value thereof as of the date fixed for redemption of the Capital Appreciation Bonds to be so redeemed, without premium.

The Convertible Capital Appreciation Bonds maturing on August 1, 2028 and August 1, 2032 are not subject to redemption prior to their respective maturity dates. The Convertible Capital Appreciation Bonds maturing on August 1, 2039 are subject to redemption prior to maturity at the option of the District, from any source of available funds, on August 1, 2029, or any date thereafter, in whole or in part, at a redemption price equal to the Conversion Value of the Convertible Capital Appreciation Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Capital Appreciation Term Bonds maturing on August 1, 2046, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2040, at a redemption price equal to the Accreted Value thereof, as of the date of such payment, without premium. The Accreted Value represented by such Bonds to be so redeemed and the dates therefor and the final payment date are as indicated in the following table:

Redemption Date (August 1)	Accreted Value
2040	$17,039,956.00
2041	17,789,411.20
2042	18,575,081.70
2043	19,391,330.70
2044	20,243,436.00
2045	21,134,041.05
2046[(1)]	22,065,000.00

(1) Maturity.

In the event that a portion of the Capital Appreciation Term Bonds maturing on August 1, 2046 are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 of Maturity Value, in respect of the portion of such Capital Appreciation Term Bonds optionally redeemed.

The Convertible Capital Appreciation Bonds maturing on August 1, 2028 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2025, at a redemption price equal to the Conversion Value thereof, together with accrued interest to the date fixed for redemption, without premium. The Conversion Value represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Conversion Value
2025	$880,000
2026	1,210,000
2027	1,480,000
2028[1]	1,780,000
TOTAL	$5,350,000

[1] Maturity.

The Convertible Capital Appreciation Bonds maturing on August 1, 2032 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2029, at a redemption price equal to the Conversion Value thereof, together with accrued interest to the date fixed for redemption, without premium. The Conversion Value represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Conversion Value
2029	$2,100,000
2030	2,460,000
2031	2,855,000
2032[1]	3,275,000
TOTAL	$10,690,000

[1] Maturity.

The Convertible Capital Appreciation Bonds maturing on August 1, 2039 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2033, at a redemption price equal to the Conversion Value thereof, together with accrued interest to the date fixed for redemption, without premium. The Conversion Value represented by such Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Conversion Value
2033	$3,735,000
2034	4,260,000
2035	4,830,000
2036	5,445,000
2037	6,120,000
2038	6,850,000
2039[1]	7,635,000
TOTAL	$38,875,000

[1] Maturity.

In the event that a portion of the Convertible Capital Appreciation Term Bonds maturing on August 1, 2039 are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 of Conversion Value, in respect of the portion of such Convertible Capital Appreciation Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Bond Registrar, upon written instruction from the District, will select the Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Bond Registrar will select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Bond Registrar will determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than thirty nor more than forty-five days prior to the redemption date (i) to the Registered Owners thereof at the addresses appearing on the bond registration books of the Bond Registrar, (ii) to the Securities Depository described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depository and the Information Services will be given by registered mail, facsimile transmission or overnight delivery service. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Accreted Value of such Bonds, as applicable, to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-7320.

The actual receipt by an Owner of any Bond or by any Information Service or Securities Depository of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice nor shall any defect in such notice affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest thereon on the date fixed for redemption.

The notice or notices required for redemption will be given by the Bond Registrar or its designee. A certificate by the Bond Registrar that notice of call and redemption has been given to owners of Bonds and to the appropriate Securities Depository and Information Services shall be conclusive as against all parties, and no Bondowner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Bondowner failed to actually receive such notice of call and redemption.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose, as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Bond Registrar will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued, if any, is held by the Bond Registrar so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Bond Registrar, in form satisfactory to it, and sufficient moneys shall be held by the Bond Registrar irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, in the case of Convertible Capital Appreciation Bonds after the Conversion Date, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Bond Registrar for cancellation.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Bond Registrar to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

The Accreted Value or Conversion Value of the Bonds and any interest on, as appropriate, any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Bond Registrar, initially located in Los Angeles, California. Interest on the Convertible Capital Appreciation Bonds after the Conversion Date will be paid by the Bond Registrar by check or draft mailed to the person whose name appears on the registration books of the Bond Registrar as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal amount, interest payments shall be wired to a bank and account number on file with the Bond Registrar as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any Capital Appreciation Bonds means the Maturity Value thereof and with respect to any Convertible Capital Appreciation Bonds means the Conversion Value thereof) upon presentation and surrender at the principal office of the Bond Registrar, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. Upon exchange or transfer, the Bond Registrar shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date. Capital Appreciation Bonds and Convertible Capital Appreciation Bonds may not be exchanged for one another.

Neither the District nor the Bond Registrar will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding the Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Bond Registrar or with an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all Maturity Value, Conversion Value and interest and premium, if any; or

(b) Government Obligations: by irrevocably depositing with the Bond Registrar or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all Maturity Value, Conversion Value and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Bond Registrar with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Bond Registrar or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service or Standard & Poor's. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AAA" by Standard & Poor's Ratings Service, a Division of the McGraw-Hill companies ("S&P") or "Aaa" by Moody's Investors Service ("Moody's").

Application and Investment of Bond Proceeds

Building Fund. The proceeds from the sale of the Bonds, net costs of issuance, shall be deposited in the Acalanes Union High School District Election of 2008 General Obligation Bonds, Series B Building Fund (the "Building Fund") and shall be applied only to renovate, repair, construct and equip certain District schools, sites and facilities as authorized by the voters of the District in the Authorization. Any interest earnings on moneys held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund. Any premium, accrued interest received by the District on the sale of the Bonds shall also be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Debt Service Fund or otherwise held in trust for the payment of the redemption price of the Bonds, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Permitted Investments. In accordance with the Resolution and subject to federal tax restrictions, moneys in the Building Fund and Debt Service Fund shall be initially invested in the County administered pooled investment fund (the “County Pool”). See “CONTRA COSTA COUNTY INVESTMENT POOL.” Subsequently, such moneys may continue to be invested in the County Pool or invested, at the direction of the District in accordance with the Resolution and subject to federal tax restrictions, in any other lawful investment permitted by Sections 16429.1 and 53601 of the Government Code of the State of California (the “Government Code”) or in shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code, in the California Local Agency Investment Fund (“LAIF”) or in a guaranteed investment contract with a financial institution or insurance company which has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor’s Rating Service and Moody’s Investors Service.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	Total
Principal Amount of Bonds	$37,999,105.55
Total Sources	$37,999,105.55
Uses of Funds	
Building Fund [1]	$37,571,110.92
Costs of Issuance[1]	427,994.63
Total Uses	$37,999,105.55

[1] A portion of the proceeds of the Bonds will be used to pay costs of issuance thereof, including legal fees, Underwriter’s discount, printing costs, the costs and fees of the Paying Agent, and other costs of issuance of the Bonds.

DEBT SERVICE SCHEDULE

The following table summarizes the annual debt service requirements of the District with respect to the Bonds (assuming no optional redemptions are made):

	Capital Appreciation Bonds		Convertible Capital Appreciation Bonds			
Year Ending August 1	Annual Principal Payment[1]	Accreted Interest at Maturity[1]	Annual Principal Payment[2]	Accreted Interest Prior to Conversion Date[2]	Annual Interest Payments After Conversion Date[3]	Total Annual Debt Service
2025	--	--	$425,770.40	$454,229.60	$3,489,987.50	$4,369,987.50
2026	--	--	585,434.30	624,565.70	3,440,267.50	4,650,267.50
2027	--	--	716,068.40	763,931.60	3,371,902.50	4,851,902.50
2028	--	--	861,217.40	918,782.60	3,288,282.50	5,068,282.50
2029	--	--	971,985.00	1,128,015.00	3,187,712.50	5,287,712.50
2030	--	--	1,138,611.00	1,321,389.00	3,061,712.50	5,521,712.50
2031	--	--	1,321,436.75	1,533,563.25	2,914,112.50	5,769,112.50
2032	--	--	1,515,833.75	1,759,166.25	2,742,812.50	6,017,812.50
2033	--	--	1,612,698.30	2,122,301.70	2,546,312.50	6,281,312.50
2034	--	--	1,839,382.80	2,420,617.20	2,301,670.00	6,561,670.00
2035	--	--	2,085,497.40	2,744,502.60	2,022,640.00	6,852,640.00
2036	--	--	2,351,042.10	3,093,957.90	1,706,275.00	7,151,275.00
2037	--	--	2,642,493.60	3,477,506.40	1,349,627.50	7,469,627.50
2038	--	--	2,957,693.00	3,892,307.00	948,767.50	7,798,767.50
2039	--	--	3,296,640.30	4,338,359.70	500,092.50	8,135,092.50
2040	$2,125,606.00	$14,914,350.00	--	--	--	17,039,956.00
2041	2,065,569.80	15,723,841.40	--	--	--	17,789,411.20
2042	2,007,561.85	16,567,519.85	--	--	--	18,575,081.70
2043	1,950,770.85	17,440,559.85	--	--	--	19,391,330.70
2044	1,895,602.45	18,347,833.55	--	--	--	20,243,436.00
2045	1,842,056.65	19,291,984.40	--	--	--	21,134,041.05
2046	1,790,133.45	20,274,866.55	--	--	--	22,065,000.00
Total	$13,677,301.05	$122,560,955.60	$24,321,804.50	$30,593,195.50	$36,872,175.00	$228,025,431.65

(1) The Capital Appreciation Bonds are payable only at maturity on August 1 of the years indicated above, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing on August 1, 2011.

(2) The Annual Principal Payments and Annual Accreted Interest Payments of the Convertible Capital Appreciation Bonds constitute the Conversion Value of such Convertible Capital Appreciation Bonds, payable at maturity.

(3) Interest payments on the Convertible Capital Appreciation Bonds will be payable semiannually on February 1 and August 1 of each year following the Conversion Date.

See “DISTRICT FINANCIAL MATTERS – District Debt Structure – General Obligation Bonds” for a schedule of the combined debt service requirements for all of the District’s outstanding general obligation bonds.

CONTRA COSTA COUNTY INVESTMENT POOL

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

Substantially all operating funds of the District are invested in the Contra Costa County Investment Pool. Upon closing of the Bonds, proceeds of the Bonds will be deposited with the Contra Costa County Treasurer. The Treasurer accepts funds only from agencies located within the County for investment in the Contra Costa County Investment Pool. As of March 31, 2011, the cost value of the Contra Costa County Investment Pool was $2,068,156,421.74 and the fair value was $2,068,405,185.81.74, which was 100.04% of cost. As of March 31, 2011 the weighted average maturity of the Contra Costa County Investment Pool was 159 days.

The following table summarizes the composition of the Pool as of March 1, 31.

CONTRA COSTA COUNTY INVESTMENT POOL
PORTFOLIO COMPOSITION
(as of March 31, 2011)

Type of Investment	Cost Value	Fair Value	Percent of Total (Cost Value)
U.S. Treasuries (STRIPS, Bills, Notes)	$34,018,015.52	$34,170,524.63	1.64%
U.S. Agencies (Federal, State, Local)	326,038,842.06	326,204,673.96	15.76
Money Market Instruments	1,008,735,368.43	1,008,621,509.94	48.77
Local Agency Investment Fund	387,534,625.22	387,534,625.22	18.74
Other	137,423,334.62	137,467,430.32	6.64
Cash	174,406,421.74	174,406,421.74	8.43
TOTAL	$2,068,156,607.59	$2,068,405,185.81	100.00%

Note: All report information is unaudited.

The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq. and is in compliance with the Treasurer's current investment policy. The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives. The County reports that it is current practice for the Treasurer to mark the portfolio to market on a monthly basis. Such evaluations are performed by the County. Over 84% of the portfolio or over $1.74 billion will mature in less than a year. The County is able to meet its cash flow needs for six months.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The Accreted Value or Conversion Value of and interest on, as appropriate, the Bonds is payable from the proceeds of an ad valorem *tax levied by the County for the payment thereof. (See "THE BONDS – Security and Sources of Payment") Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations."

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

Legislation Implementing Article XIIIA

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

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

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

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

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL MATTERS."

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

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

Proposition 39

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

The fifty-five percent vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by fifty-five percent of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See " – Article XIIIA of the California Constitution" above.

Jarvis v. Connell

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

Proposition 1A

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

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources.

SB 82 authorizes the deferral of State apportionments during fiscal year 2011-12, as follows: (i) $700 million from July 2011 to September 2011, (ii) $700 million from July 2011 to January 2012, (iii) $1.4 billion from August 2011 to January 2012, (iv) $2.4 billion from October 2011 to January 2012, and (v) $1.4 billion from March 2012 to April 2012. Collectively, these deferrals are referred to as the "Cash Management Deferrals." SB 82 required the State Department of Education to certify to school districts no later than April 15, 2011 which of the 2011-12 Cash Management Deferrals will be implemented, and in what amounts. On April 15, 2011, the Department of Education released a projected scheduled of State apportionments showing that all of the 2011-12 Cash Management Deferrals would be implemented. SB 82 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for an exemption from any of the Cash Management Deferrals.

In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Director of Finance review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible.

Recent Litigation Regarding State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution. On January 14, 2011, the Superior Court dismissed major portions of the case, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State, but rejecting the claim that the State Constitution mandates an overall qualitative standard for public education.

The District is not a party to the Robles Complaint. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint would affect the financial status of the District or the State.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting

District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and 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 public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment plus a $10 cost on the second installment. Property on the secured roll with delinquent taxes is sold to the State on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and is then subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed and re-assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District has a total assessed valuation for fiscal year 2010-11 of $24,081,936,420. Shown in the following table are the assessed valuations for the District for the period 2005-06 through 2010-11.

ASSESSED VALUATIONS
Fiscal Years 2005-06 through 2010-11
Acalanes Union High School District

Assessed Valuations

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	Total After Rdv. Increment
2005-06	$19,004,752,623	$1,475,950	$428,699,704	$19,434,928,277	$18,740,738,624
2006-07	20,685,834,324	1,476,589	450,100,666	21,137,411,579	20,304,474,439
2007-08	22,115,176,261	1,476,589	456,882,163	22,573,535,013	21,661,742,238
2008-09	23,111,571,673	1,419,775	487,171,580	23,600,163,028	22,592,092,620
2009-10	23,678,370,404	1,419,775	479,708,986	24,159,499,165	23,043,920,194
2010-11	23,608,834,196	650,940	472,451,284	24,081,936,420	22,945,250,502

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment."

Appeals and Adjustments of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution."

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation and Parcels by Land Use

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

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2010-11
Acalanes Union High School District

	2010-11 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$17,657,129	0.07%	21	0.05%
Commercial/Office	3,110,558,017	13.18	1,269	3.02
Vacant Commercial	32,619,388	0.14	62	0.15
Industrial	62,222,593	0.26	18	0.04
Recreational	122,582,437	0.52	81	0.19
Government/Social/Institutional	15,281,367	0.06	901	2.15
Miscellaneous	28,653,392	0.12	205	0.49
Subtotal Non-Residential	$3,389,574,323	14.36%	2,557	6.09%
Residential:				
Single Family Residence	$15,412,945,008	65.29%	26,714	63.67%
Condominium/Townhouse	2,821,658,616	11.95	9,917	23.64
Cooperatives [2]	413,013,078	1.75	68	0.16
2-4 Residential Units	240,147,154	1.02	533	1.27
5+ Residential Units/Apartments	977,906,221	4.14	290	0.69
Vacant Residential	352,976,847	1.50	1,877	4.47
Subtotal Residential	$20,218,646,924	85.64%	39,399	93.91%
Total	$23,608,221,247	100.00%	41,956	100.00%

[1] Local Secured Assessed Valuation; excluding tax-exempt property.
[2] The 68 cooperative parcels contain approximately 3,368 residential units.
Source: California Municipal Statistics, Inc.

Assessed Valuation Per Parcel of Single Family Homes

The following table is an analysis of the District's assessed valuation per parcel of single family homes for fiscal year 2010-11.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES
Fiscal Year 2010-11
Acalanes Union High School District

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	26,714	$15,412,945,008	$576,961	$505,505

2010-11 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	2,397	8.973%	8.973%	$190,896,665	1.239%	1.239%
$100,000 - $199,999	3,755	14.056	23.029	523,048,791	3.394	4.632
$200,000 - $299,999	2,118	7.928	30.958	534,179,909	3.466	8.098
$300,000 - $399,999	2,289	8.569	39.526	801,778,052	5.202	13.300
$400,000 - $499,999	2,643	9.894	49.420	1,190,645,159	7.725	21.025
$500,000 - $599,999	2,481	9.287	58.707	1,364,521,270	8.853	29.878
$600,000 - $699,999	2,459	9.205	67.912	1,595,989,519	10.355	40.233
$700,000 - $799,999	2,125	7.955	75.867	1,590,522,062	10.319	50.552
$800,000 - $899,999	1,689	6.323	82.189	1,431,929,796	9.290	59.843
$900,000 - $999,999	1,241	4.646	86.835	1,173,253,940	7.612	67.455
$1,000,000 - $1,099,999	831	3.111	89.945	869,118,257	5.639	73.094
$1,100,000 - $1,199,999	611	2.287	92.233	700,535,633	4.545	77.639
$1,200,000 - $1,299,999	484	1.812	94.044	602,731,866	3.911	81.549
$1,300,000 - $1,399,999	311	1.164	95.209	418,146,318	2.713	84.262
$1,400,000 - $1,499,999	289	1.082	96.290	417,000,423	2.706	86.968
$1,500,000 - $1,599,999	220	0.824	97.114	339,265,256	2.201	89.169
$1,600,000 - $1,699,999	156	0.584	97.698	255,886,211	1.660	90.829
$1,700,000 - $1,799,999	102	0.382	98.080	177,892,932	1.154	91.983
$1,800,000 - $1,899,999	88	0.329	98.409	162,774,067	1.056	93.039
$1,900,000 - $1,999,999	70	0.262	98.671	136,575,666	0.886	93.926
$2,000,000 and greater	355	1.329	100.000	936,253,216	6.074	100.000
Total	26,714	100.000%		$15,412,945,008	100.000%	

[1] Improved single family residential parcels. Excludes condominiums parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction

The following table is an analysis of the District's assessed valuation by jurisdiction for fiscal year 2010-11.

ASSESSED VALUATION BY JURISDICTION[1]
Fiscal Year 2010-11
Acalanes Union High School District

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Lafayette	$5,652,644,169	23.47%	$5,652,644,169	100.00%
Town of Moraga	2,938,263,994	12.20	2,938,263,994	100.00
City of Orinda	4,797,737,636	19.92	4,797,737,636	100.00
City of Walnut Creek	7,151,348,576	29.70	12,603,549,353	56.74
Unincorporated Contra Costa County	3,541,942,045	14.71	28,748,988,341	12.32
Total Contra Costa County	$24,081,936,420	100.00%	141,267,056,649	17.05

[1] Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10 percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table shows the secured tax charges and delinquencies for taxes collected by the County from property in the District between 2005-06 and 2009-10.

SECURED TAX CHARGES AND DELINQUENCY RATES
Fiscal Years 2005-06 through 2009-10
Acalanes Union High School District

Tax Year	Secured Tax Charge[1]	Amount Delinquent June 30	Percent Delinquent June 30
2005-06	$5,241,860.47	$49,681.38	0.95%
2006-07	5,977,182.26	70,094.70	1.17
2007-08	5,663,548.43	105,924.29	1.87
2008-09	6,606,584.08	148,467.60	2.25
2009-10	6,985,404.06	129,965.83	1.86

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

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County administering any penalties and interest ultimately collected as prescribed in the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

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

As adopted by the County, the Teeter Plan includes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2011-12. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District from 2005-06 to 2010-11.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2005-06 through 2010-11
(Tax Rate Area 9-000)
(Tax Rates Per $100 of Assessed Value)
Acalanes Union High School District

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
General [1]	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Service Area R-8 Bond	.0048	.0050	.0076	.0090	--	--
Bay Area Rapid Transit District	--	--	--	--	.0057	.0031
East Bay Regional Park District	.0057	.0085	.0080	.0100	.0108	.0084
Contra Costa Community College District	.0047	.0043	.0108	.0066	.0126	.0133
Acalanes Union High School District	.0279	.0292	.0259	.0289	.0298	.0311
Walnut Creek Elementary School District	.0230	.0218	.0222	.0265	.0166	.0231
Total Tax Rate	$1.0661	$1.0688	$1.0745	$1.0810	$1.0755	$1.0790

(1) 1% General Fund Levy; maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution. 2010-11 assessed valuation of TRA 9-000 is $5,423,753,530.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2010-11 secured assessed valuations.

LARGEST 2010-11 LOCAL SECURED TAXPAYERS
Acalanes Union High School District

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	First Walnut Creek Mutual	Cooperatives – Rossmoor	$235,492,431	1.00%
2.	OG Property Owner LLC	Residential Development	181,505,097	0.77
3.	Second Walnut Creek Mutual	Cooperatives – Rossmoor	177,520,647	0.75
4.	Legacy III Walnut Creek I LLC	Office Building	121,434,878	0.51
5.	Rreef America REIT II Corp. UUU	Office Building	98,159,889	0.42
6.	Macerich Northwest Associates	Shopping Center	95,793,421	0.41
7.	CA Plaza @ Walnut Creek Inc.	Office Building	85,135,439	0.36
8.	Escuela Shopping Center LLC	Shopping Center	79,364,284	0.34
9.	Property Calif. SCJLW One Corp.	Office Building	74,397,964	0.32
10.	SVF Oak Road Walnut Creek Corp.	Office Building	73,505,078	0.31
11.	Tishman Speyer Archstone-Smith	Apartments	66,706,035	0.28
12.	ASN Bay Landing LLC	Apartments	61,515,595	0.26
13.	Northwestern Mutual Life Insurance	Office Building	61,021,056	0.26
14.	California State Teachers Retirement System	Office Building	57,500,000	0.24
15.	CA-Treat Towers LP	Office Building	56,174,668	0.24
16.	PK II Walnut Creek	Movie Theater/Commercial	55,010,515	0.23
17.	Robert and Rosemary Lucas	Office Building	53,641,865	0.23
18.	Growers Square Inc.	Office Building	50,346,895	0.21
19.	James and Mei Fong Tong	Hotel	46,463,244	0.20
20.	1450 Treat Boulevard Inc.	Office Building	45,075,650	0.19
			$1,775,764,651	7.52%

(1) 2010-11 Local Secured Assessed Valuation: $23,608,834,196.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of June 1, 2011, for debt issued as of June 1, 2011. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Acalanes Union High School District

2010-11 Assessed Valuation:	$24,081,936,420
Redevelopment Incremental Valuation:	1,136,685,918
Adjusted Assessed Valuation:	$22,945,250,502

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/11
Bay Area Rapid Transit District	5.273%	$21,823,101
Contra Costa Community College District	18.385	43,589,916
Acalanes Union High School District	**100.000**	**129,304,858** (1)
Lafayette School District	100.000	18,885,000
Moraga School District	100.000	9,020,000
Orinda Union School District	100.000	11,815,000
Walnut Creek School District	100.000	33,469,628
City of Lafayette	100.000	8,155,000
East Bay Municipal Utility District Special District No. 1	0.001	245
East Bay Regional Park District	8.171	12,582,523
Pleasant Hill Recreation and Park District	7.466	1,493,200
Contra Costa County Community Facilities District No. 1991-1	7.230	184,646
California Statewide Community Development Authority Community Facilities District No. 2000-1	100.000	2,618,810
California Statewide Community Development Authority Orinda Wilder Project Community Facilities District	100.000	36,900,000
1915 Act Bonds	100.000	2,320,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$332,161,927
OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	18.308%	$58,561,416
Contra Costa County Pension Obligations	18.308	73,202,707
Contra Costa Community College District Certificates of Participation	18.385	170,061
Town of Moraga Certificates of Participation	100.000	1,495,000
City of Orinda Certificates of Participation	100.000	9,195,000
City of Walnut Creek General Fund Obligations	55.459	515,769
San Ramon Valley Fire Protection District Certificates of Participation	0.005	718
Contra Costa Fire Protection District Pension Obligations	26.853	31,213,927
Pleasant Hill Recreation and Park District Certificates of Participation	7.466	178,437
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$174,533,035
Less: Contra Costa County obligations supported by revenue funds		21,873,951
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$152,659,084
GROSS COMBINED TOTAL DEBT		$506,694,962 (2)
NET COMBINED TOTAL DEBT		$484,821,011

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($129,304,858)..0.54%
Total Direct and Overlapping Tax and Assessment Debt........................1.38%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt...2.21%
Net Combined Total Debt 2.11%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

THE DISTRICT

Introduction

The District is located in the western portion of Contra Costa County (the "County") approximately 20 miles east of San Francisco. The District operates four comprehensive high schools and one alternative high school and encompasses an area of approximately 80 square miles and has an estimated population of 111,346.

The District was established in 1940 and provides secondary educational services to the residents of the Cities of Lafayette and Orinda, the Town of Moraga, a portion of the City of Walnut Creek, and of certain surrounding unincorporated areas in Contra Costa County. The 2010-11 assessed valuation of the area served by the District is $24,081,936,420. The District's projected average daily attendance for fiscal year 2010-11 is 5,352.

Administration

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

Board Member	Office	Term Expires
Tom Mulvaney	President	December 2014
Gwen Reinke	Clerk	December 2012
Kathy Coppersmith	Member	December 2012
Richard Whitmore	Member	December 2014
Susie Epstein	Member	December 2014

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. John Nickerson, Ed.D. is the District's Superintendent and Christopher Learned is the Associate Superintendent, Business Services.

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

John Nickerson, Ed.D., Superintendent. Dr. Nickerson was promoted to Acalanes Union High School District Superintendent on February 2, 2011. Dr. Nickerson began his tenure with the District in August of 1996 as a classroom teacher. Subsequently, he worked as an associate principal, principal and the Associate Superintendent, Educational Services. Dr. Nickerson has twenty-two years of experience working in schools, seventeen of which are in the California public education system. The last 12 years of Dr. Nickerson's career have been in management positions. Dr. Nickerson earned a B.A. in economics from Harvard University. He received a M.A. from University of California, Berkeley and his doctorate from the University of La Verne.

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

Average Daily Attendance and Enrollment

The total A.D.A. for the 2009-10 academic year was 5,413 students and is projected to be 5,352 students for the 2010-11 academic year. The current student-teacher ratio in the District is 25:1 in grades 9-12.

The following table shows the District's average daily attendance ("A.D.A.") and enrollment over the last 12 years and a projection for the current fiscal year and subsequent two fiscal years.

AVERAGE DAILY ATTENDANCE
FISCAL YEARS 1998-99 THROUGH 2012-13*
Acalanes Union High School District

Year	Average Daily Attendance(1)	Enrollment(2)
1998-99	4,845	5,065
1999-00	5,049	5,280
2000-01	5,150	5,375
2001-02	5,320	5,514
2002-03	5,507	5,744
2003-04	5,553	5,785
2004-05	5,663	5,906
2005-06	5,671	5,903
2006-07	5,603	5,832
2007-08	5,673	5,905
2008-09	5,472	5,712
2009-10	5,413	5,654
2010-11*	5,352	5,589
2011-12*	5,240	5,448
2012-13*	5,227	5,445

(1) Based on Second Period Report.
(2) Enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
* Projected.
Source: The District

Labor Relations

As of June 1, 2011, the District employed approximately 305.5 full-time equivalent certificated employees and 183 classified employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

BARGAINING UNITS
Acalanes Union High School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
Acalanes Education Association	284.5	06/30/2012
Service Employees International Union	175	06/30/2011

Retirement Programs

STRS and CalPERS. The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all fulltime certificated employees. The District's contribution to STRS for the fiscal year ending June 30, 2010, 2009 and 2008, were $2,242,689, $2,360,306, and $2,300,621, respectively, and is projected to be $2,110,976 for fiscal year 2010-11.

The District also participates in the State of California Public Employees' Retirement System ("CalPERS"). This plan covers all classified personnel who are employed four or more hours per day. Both systems are operated on a statewide basis. The District's contribution to CalPERS for the fiscal year ended June 30, 2010, 2009 and 2008, were $770,632, $808,999, and $791,489, respectively, and is projected to be $712,767 for fiscal year 2010-11.

The District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share. The District was required to contribute to PERS at an actuarially determined rate, which is 10.923% of eligible salary expenditures for fiscal year 2011-12, while participants contribute 7% of their respective salaries.

Other Post-Employment Benefits

The District has contracted to provide supplemental post-retirement benefits and healthcare coverage (the "Post-Employment Benefits") to certain retired employees. To be eligible, employees must be at least 55 years of age and have at least 10 years of continuous service to the District immediately prior to retirement. As of June 30, 2010, 180 employees met those eligibility requirements. Expenditures for the Post-Employment Benefits are recognized on a pay-as-you-go basis. During fiscal year 2009-10, the District recognized expenditures of $870,747 for the Post-Employment Benefits. For more information regarding the District's Post-Employment Benefits, see "APPENDIX A – Excerpts from the 2009-10 Audited Financial Statements of the District – Note 6 – Other Postemployment Benefits (OPEB)."

Fourteen individuals receive $57 per month toward medical benefits for life. During the year expenditures of $8,778 were recognized for this benefit.

The District has received a study by Total Compensation, Inc. on January 31, 2011 (the "Actuarial Study") with respect to its liability in connection with such post-employment health care benefits. The Actuarial Study, dated as of November 1, 2010, determined that the actuarial accrued liability with respect to the District's Post-Employment Benefits is $9,663,392, and that the actuarial present value of total projected benefits is $13,627,429. The Actuarial Study also concluded that the annual required contribution ("ARC") for the year beginning November 1, 2010 is $1,179,972. The ARC is the annual amount that would be necessary to fund the OPEB in accordance with the Governmental Accounting Standards Board's Statements No. 43 and 45.

The District has established an irrevocable trust to begin funding its Post-Employment Benefits. The District has set aside approximately $132,480 in the trust, and expects to transfer approximately $100,000 for fiscal year 2011-12.

Insurance

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

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

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

DISTRICT FINANCIAL MATTERS

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the Accreted Value of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."*

Accounting Practices

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

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

District Budgets

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

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

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

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education 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 office of education 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 will be 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.

The District has never had an adopted budget disapproved by the County Superintendent of Schools. The District elected to report a "qualified" certification in its first interim financial report for fiscal year 2003-04. In its next interim financial report, and for all reporting periods thereafter, the District has reported a "positive" certification.

The District's general fund adopted budget for fiscal years 2006-07 through 2011-12, actual results for the fiscal years 2007-08 through 2009-10 and estimated actuals for fiscal year 2010-11 are set forth in the following table.

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GENERAL FUND BUDGET AND ACTUAL RESULTS FOR
FISCAL YEARS 2007-08 through 2011-12
Acalanes Union High School District

	2007-08 Adopted Budget[1]	2007-08 Audited Actuals	2008-09 Adopted Budget[1]	2008-09 Audited Actuals	2009-10 Adopted Budget[1]	2009-10 Audited Actuals	2010-11 Adopted Budget[1]	2010-11 Estimated Actuals[2]	2011-12 Adopted Budget[2]
REVENUES									
Revenue Limit Sources									
State Apportionment	$9,100,207	$7,583,043	$6,822,337	$5,526,844	$1,053,807	$(193,982)	--	$2,197,096	$1,345,910
Local Sources	28,597,725	30,377,958	31,200,262	31,535,895	32,124,463	31,700,944	$31,864,282	30,637,347	31,410,379
Total Revenue Limit Sources	37,697,932	37,961,001	38,022,599	37,062,739	$33,178,270	$31,506,962	31,864,282	32,834,443	32,756,289
Federal Revenue	754,561	782,518	723,342	2,727,245	1,464,649	1,948,171	905,461	2,034,263	1,887,936
Other State Revenue	3,469,167	3,876,559	3,351,234	2,718,097	3,105,344	4,798,501	4,193,450	4,440,250	4,040,733
Other Local Revenue	12,221,469	13,288,296	13,012,028	13,680,308	12,765,475	14,272,128	16,936,148	17,366,166	16,422,529
TOTAL REVENUES	54,143,129	55,908,374	55,109,203	56,188,389	50,513,738	52,525,762	53,899,341	56,675,122	55,107,487
EXPENDITURES									
Certificated Salaries	27,060,554	27,528,662	26,943,335	27,216,874	26,401,205	26,379,323	25,872,585	25,821,145	25,592,569
Classified Salaries	8,165,805	8,600,358	8,114,499	8,267,086	7,446,035	7,768,834	7,620,988	7,697,886	7,726,589
Employee Benefits	10,445,092	10,831,982	10,873,763	10,992,772	10,739,057	10,734,803	11,233,164	11,059,975	11,636,891
Books & Supplies	2,989,487	2,506,422	2,411,668	1,459,389	1,860,948	1,356,243	1,868,042	1,760,529	1,775,003
Services & Other Operating Expenses	6,032,802	5,923,890	6,230,337	6,077,357	6,169,281	6,254,807	5,945,292	6,182,057	6,063,560
Capital Outlay	52,500	58,889	--	123,763	--	59,207	23,022	29,000	11,588
Other Expenditures	--	(24,078)	--	242,383	--	197,669	(75,000)	(99,957)	(75,000)
TOTAL EXPENDITURES	54,746,240	55,426,125	54,573,602	54,379,624	52,616,526	52,750,886	52,488,093	52,450,635	52,731,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(603,111)	482,249	535,601	1,808,765	(2,102,788)	(225,124)	1,411,248	4,224,487	2,376,287
OTHER FINANCING SOURCES/(USES)									
Operating Transfers In	--	--	--	250,000	--	400,000	150,000	150,000	150,000
Contributions	--	--	--	--	150,000	--	--	--	--
Operating Transfers Out	--	(320,982)	(100,000)	(284,499)	(180,000)	(1,304,908)	(1,251,864)	(1,171,864)	(1,171,864)
TOTAL OTHER FINANCING SOURCES/(USES)	--	(320,982)	(100,000)	(34,499)	(30,000)	(904,908)	(1,101,864)	(1,021,864)	(1,021,864)
Net change in Fund Balance	(603,111)	161,267	435,601	1,774,266	(2,132,788)	(1,130,032)	309,384	3,202,623	1,354,423
Fund Balance at beginning of year	3,945,160	4,858,941	4,357,211	5,020,208	6,248,336	6,794,474	5,379,402	5,664,441	8,867,064
Fund Balance at end of year	$3,342,049	$5,020,208	$4,792,812	$6,794,474	$4,115,548	$5,664,442	$5,688,786	$8,867,064	$10,221,487

[1] Original Adopted Budget.
[2] Adopted by the Board of Trustees on June 29, 2011
Source: The District

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2010, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 1212 Pleasant Hill Road, Lafayette, California, 94549, telephone: (925) 280-3900. Excerpts from the District's audited financial statements for the year ended June 30, 2010 are attached hereto as Appendix A.

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The District's audited statement of general fund revenues, expenditures and changes in fund balances for fiscal years ending June 30, 2005 through June 30, 2010 are set forth in the following tables.

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

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

Source: The District

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2008-09 and 2009-10
Acalanes Union High School District[1]

	2008-09 Audited Actual	2009-10 Audited Actual
REVENUES		
Revenue Limit Sources		
State Apportionment	$5,526,844	$(193,982)
Local Sources	31,535,895	31,700,944
Total Revenue Limit Sources	37,062,739	31,506,962
Federal Revenue	2,727,245	1,948,171
Other State Revenue	2,718,097	4,798,501
Other Local Revenue	13,680,308	14,272,128
TOTAL REVENUES	56,188,389	52,525,762
EXPENDITURES		
Certificated Salaries	27,216,874	26,379,323
Classified Salaries	8,267,086	7,768,834
Employee Benefits	10,992,772	10,734,803
Books & Supplies	1,459,389	1,356,243
Services & Other Operating Expenses	6,077,357	6,254,807
Capital Outlay	123,763	59,207
Other Outgo	242,383	197,669
TOTAL EXPENDITURES	54,379,624	52,750,886
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,808,765	(225,124)
OTHER FINANCING SOURCES/(USES)		
Operating Transfers In	250,000	400,000
Operating Transfers Out	(284,499)	(1,304,908)
TOTAL OTHER FINANCING SOURCES/(USES)	(34,499)	(904,908)
Net change in Fund Balance	1,774,266	(1,130,032)
Fund Balance at beginning of year	5,020,208	6,794,474
Fund Balance at end of year	$6,794,474	$5,664,442

[1] 2008-09 and 2009-10 data reflect the change in auditing firms.
Source: The District

State Funding of Education

Most California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues significantly affect appropriations made by the Legislature to school districts.

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance ("A.D.A."). Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is be counted in A.D.A.

This change was essentially fiscally neutral for school districts which maintained the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. Currently, school districts which can improve their actual attendance rate will receive additional funding.

Generally, these apportionments of basic and equalization aid amount to the difference between a district's revenue limit and its property tax allocation. The revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

The following table shows the average daily attendance for the District for the last five years and the District's revenue limit per A.D.A. for such period, as well as projected figures for the currentt fiscal year and the two subsequent fiscal years.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2005-06 through 2012-13
Acalanes Union High School District

Year	Average Daily Attendance(1)	Base Revenue Limit per ADA(2)
2005-06	5,671	5,920
2006-07	5,603	6,379
2007-08	5,673	6,669
2008-09	5,475	7,049
2009-10	5,414	7,349
2010-11*	5,352	7,320
2011-12*	5,240	7,484
2012-13*	5,227	7,723

(1) Based on Second Period Report.
(2) The State's practice of deficit revenue limit funding, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again in fiscal year 2008-09. The figures above show the revenue limit prior to factoring in the deficit factor. The deficit revenue limit for fiscal years 2008-09 through 2009-10 and projections for fiscal years 2010-11 through 2012-13 are as follows: $6,496; $6,000; $6,005; $6,006 and $6,198.
* Projected.
Source: The District.

Revenue Sources

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

Revenue Limit Sources

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

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

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of $120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

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

The revenue limit sources constituted approximately 67.9% of general fund revenues in fiscal year 2007-08, 66.0% of such revenues in fiscal year 2008-09, 61.1% of such revenues in fiscal year 2009-10 , are estimated to equal approximately 57.9% of such revenues in fiscal year 2010-11, and are budgeted to equal 59.4% of such revenues in fiscal year 2011-12.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, constituted approximately 1.4% of general fund revenues in fiscal year 2007-08, 4.8% of such revenues in fiscal year 2008-09, 4.0% of such revenues in fiscal year 2009-10, are projected to equal approximately 3.6% of such revenues in fiscal year 2010-11, and are budgeted to equal 3.4% of such revenues in fiscal year 2011-12.

Other State Revenues

As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, Educational Technology Assistance Grants, mandated cost reimbursements and instructional materials, among others. Other State revenues constituted approximately 6.9% of general fund revenues in fiscal year 2007-08, 4.8% of such revenues in fiscal year 2008-09, 8.6% of such revenues in fiscal year 2009-10, are estimated to equal approximately 7.8% of such revenues in fiscal year 2010-11, and are budgeted to equal 7.3% of such revenues in fiscal year 2011-12.

State Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50 percent of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material. State Lottery net revenues - gross revenues less prizes and administration expenses - are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. Allocations to the District in 2009-10 were approximately 1.4% and in 2010-11 are estimated to be approximately 1.4% of General Fund revenues, and are budgeted to be approximately 1.2% in fiscal year 2011-12.

Other Local Revenues

In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted approximately 23.8% of general fund revenues in fiscal year 2007-08, 24.3% of such revenues in fiscal year 2008-09, 26.2% of such revenues in fiscal year 2009-10, are estimated to equal approximately 30.6% of such revenues in fiscal year 2010-11, and are budgeted to equal 29.8% of such revenues in fiscal year 2011-12.

Parcel Tax. The District receives revenues from a parcel tax approved by the voters of the District on March 5, 2005 that expires in June 2011. The $189 per parcel tax, provided revenues that equaled approximately 12% of the total General Fund revenues in fiscal year 2007-08 or approximately $6.7 million, approximately 12% of General Fund revenues in fiscal year 2008-09 or approximately $6.7 million and are projected to equal 13% of the total General Fund revenues in fiscal year 2009-10 or approximately $6.6 million. On November 3, 2009 the voters of the District approved a $189 per parcel tax with no expiration date (the "2009 Tax"). This parcel tax replaced the March 2005 parcel tax effective July 1, 2010.

On May 4, 2010 the District's voters approved a second parcel tax, known as Measure A. Measure A is a five-year $112 per parcel tax that was approved as of July 1, 2010 and expires on June 30, 2015. The District expect to collect approximately $3,900,000 per year from the Measure A levy. The 2009 Tax and the Measure A are expected to account for 18.4% of the District's General Fund revenue in fiscal year 2010-11.

Redevelopment Revenue.

The District receives pass-through tax increment revenue ("Redevelopment Revenue") with from the city of Layfayette. The District received $127,624 of such revenues for fiscal year 2007-08, $136,322 of such revenues for 2008-09, $175,387 of such revenues in 2009-10 and is projected to receive $75,000 of such revenues for 2010-11. These amounts are deposited directly into the capital facilities fund. The District currently applies such amounts to facilities expenditures. See "DISTRICT FINANCIAL MATTERS – District Debt Structure."

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts currently projected, particularly in light of the provisos enacted by the 2011-12 Budget. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2011-12 Budget" herein. The Bonds, however, are not payable from such revenue. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."

Foundations

The District is supported by four educational foundations; the Education Foundation of Orinda, the Moraga Education Foundation, the Lafayette Arts & Sciences Foundation and the Walnut Creek Education Foundation (collectively the "Foundations"). The Education Foundation of Orinda was founded in 1979 and provides support for Miramonte High School. The Moraga Education Foundation was formed in 1981 and provides support for Compolindo High School. The Lafayette Arts & Sciences Foundation was founded in 1980 and provides support for Acalanes High School. The Walnut Creek Education Foundation was founded in 2005 after the merger of the Walnut Greek Education Foundation and the Las Lomas Foundation and provides support for Las Lomas High School. The following table lists the annual contributions of the Foundations transferred to the District.

FOUNDATION CONTRIBUTIONS
Years 2005 through 2011
Acalanes Union High School District

Year	Donations
2005	$1,000,000
2006	1,186,328
2007	1,371,587
2008	1,441,348
2009	1,012,356
2010	1,756,710
2011[1]	2,012,492

[1] Projected.
Source: Acalanes Union High School District.

District Debt Structure

Schedule of Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Compensated Absences	$329,290	$2,420	--	$331,710
General Obligation Bonds:				
Current Interest	131,753,093	--	$3,092,805	128,660,288
Capital Appreciation	17,418,990	32,338,799	1,982,232	47,775,557
Bond Anticipation Notes	15,268,650	--	15,268,650	--
OPEB Liability	470,840	1,107,397	841,538	736,699
Totals	$165,240,863	$33,448,616	$21,185,225	$177,504,254

Source: The District.

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

(August 1)	2000 G.O. Refunding Debt Service	2002 G.O. Refunding Debt Service	Election of 2002, Series A Debt Service(1)	2004 G.O. Refunding, Series A Debt Service	2004 G.O. Refunding, Series B Debt Service	2005 G.O. Refunding (2013 Crossover) Debt Service(2)	2005B G.O. Refunding (2013 Crossover) Debt Service(2)	2008 G.O. Series A Debt Service	The Bonds	Total Debt Service
2011	$2,057,450.00	$1,083,619.75	$2,035,000.00	$1,113,064.38	$649,500.00	--	--	--	--	$6,938,634.13
2012	2,262,600.00	1,537,237.50	2,430,000.00	1,589,128.76	735,500.00	--	--	--	--	8,554,466.26
2013	2,264,250.00	1,542,237.50	2,840,000.00	1,585,378.76	730,250.00	--	--	--	--	8,962,116.26
2014	1,339,850.00	1,577,237.50	--	2,462,466.26	738,750.00	$3,265,356.26	$1,077,200.00	--	--	10,460,860.02
2015	--	3,207,237.50	--	2,182,093.76	740,250.00	3,727,606.26	1,127,200.00	--	--	10,984,387.52
2016	--	3,192,237.50	--	2,943,093.76	--	4,025,181.26	1,535,200.00	--	--	11,695,712.52
2017	--	3,197,237.50	--	2,937,593.76	--	4,537,806.26	1,786,050.00	--	--	12,458,687.52
2018	--	3,207,237.50	--	2,924,993.76	--	5,058,143.76	2,077,462.50	--	--	13,267,837.52
2019	--	3,222,237.50	--	2,914,193.76	--	5,604,093.76	2,396,550.00	--	--	14,137,075.02
2020	--	3,190,125.00	--	2,939,993.76	--	6,177,100.00	2,750,950.00	--	--	15,058,168.76
2021	--	3,167,312.50	--	2,965,793.76	--	6,776,050.00	3,127,775.00	--	--	16,036,931.26
2022	--	3,152,962.50	--	2,977,975.00	--	7,403,550.00	3,549,662.50	--	--	17,084,150.00
2023	--	6,150,650.00	--	--	--	8,056,675.00	3,992,937.50	--	--	18,200,262.50
2024	--	6,207,300.00	--	--	--	8,662,500.00	4,514,975.00	--	--	19,384,775.00
2025	--	--	--	--	--	--	2,105,000.00	$5,892,195.00	$4,369,987.50	12,367,182.50
2026	--	--	--	--	--	--	--	6,277,195.00	4,650,267.50	10,927,462.50
2027	--	--	--	--	--	--	--	6,552,195.00	4,851,902.50	11,404,097.50
2028	--	--	--	--	--	--	--	6,842,195.00	5,068,282.50	11,910,477.50
2029	--	--	--	--	--	--	--	7,142,195.00	5,287,712.50	12,429,907.50
2030	--	--	--	--	--	--	--	7,457,195.00	5,521,712.50	12,978,907.50
2031	--	--	--	--	--	--	--	7,782,195.00	5,769,112.50	13,551,307.50
2032	--	--	--	--	--	--	--	8,127,507.50	6,017,812.50	14,145,320.00
2033	--	--	--	--	--	--	--	8,485,945.00	6,281,312.50	14,767,257.50
2034	--	--	--	--	--	--	--	8,854,382.50	6,561,670.00	15,416,052.50
2035	--	--	--	--	--	--	--	9,244,695.00	6,852,640.00	16,097,335.00
2036	--	--	--	--	--	--	--	9,652,820.00	7,151,275.00	16,804,095.00
2037	--	--	--	--	--	--	--	10,077,285.00	7,469,627.50	17,546,912.50
2038	--	--	--	--	--	--	--	10,519,917.50	7,798,767.50	18,318,685.00
2039	--	--	--	--	--	--	--	10,985,955.00	8,135,092.50	19,121,047.50
2040	--	--	--	--	--	--	--	--	17,039,956.00	17,039,956.00
2041	--	--	--	--	--	--	--	--	17,789,411.20	17,789,411.20
2042	--	--	--	--	--	--	--	--	18,575,081.70	18,575,081.70
2043	--	--	--	--	--	--	--	--	19,391,330.70	19,391,330.70
2044	--	--	--	--	--	--	--	--	20,243,436.00	20,243,436.00
2045	--	--	--	--	--	--	--	--	21,134,041.05	21,134,041.05
2046	--	--	--	--	--	--	--	--	22,065,000.00	22,065,000.00
	$7,924,150.00	$43,634,869.75	$7,305,000.00	$29,535,769.48	$3,594,250.00	$63,294,062.56	$30,040,962.50	$123,893,872.50	$228,025,431.65	$537,248,368.44

(1) Excludes debt service on the bonds refunded by the 2005 G.O. Refunding Bonds and 2005B G.O. Refunding Bonds.
(2) Excludes debt service on the 2005 G.O. Refunding Bonds and 2005B G.O. Refunding Bonds on and prior to August 1, 2013 (the "Crossover Date").

Tax and Revenue Anticipation Notes. On July 7, 2010, in association with the California Education Notes Program, the District issued tax and revenue anticipation notes (TRANS) in the amount of $14,826,000. The notes mature on July 1, 2011, and bear interest at 2.0% per annum and have a yield of 0.56%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the Accreted Value of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

Governor's 2011-12 Proposed Budget. On January 10, 2011 the Governor released his proposed budget for fiscal year 2011-12 (the "Proposed Budget"). On January 12, 2011 the LAO released its Overview of the Governor's Budget (the "LAO Overview"). The following information has been adapted from excerpted portions of the LAO Overview.

The Proposed Budget estimates that, without corrective action by the Legislature and the Governor, the State would end 2011-12 with a $25.4 billion deficit. Specifically, the administration estimates that the General Fund will end 2010-11 with a deficit of $8.2 billion (as opposed to the $1.5 billion reserve balance assumed when the 2010-11 Budget was adopted). For 2011-12, the Governor estimates that the gap between expenditures and revenues will be $17.2 billion.

In total, the Governor proposes $26.4 billion in budget solutions. If adopted and achieved in full, the Governor's budget plan would leave the State with a reserve of around $1 billion at the end of 2011-12. The Governor proposes to reduce current-law General Fund State expenditures by $12.5 billion. These expenditure-related solutions include both reductions in services and benefits and use of other funding sources in lieu of the General Fund. The Governor proposes a total of $14 billion in new revenues, of which $3 billion is attributed to 2010-11. The additional revenues to be deposited in the General Fund would result in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools and community colleges (reducing the net effect of these new revenues to $12 billion). The remaining $1.9 billion in solutions comes from borrowing from special funds and other sources.

The LAO reports that two significant and interrelated themes run through the Governor's budget package: (1) his plan to submit to voter approval a proposed extension of the four temporary tax increases adopted in February 2009 and (2) his plan to restructure the State-local relationship in the delivery of services by shifting funding and responsibility to local governments for those services (referred to herein as "realignment"). In addition, the Governor proposes dramatic changes in the area of local economic development by proposing the elimination of redevelopment agencies.

The LAO notes that the Governor proposes to put two ballot measures before the voters: (1) a constitutional measure to extend the temporary tax increases by another five years and to dedicate two of these revenues to realignment and (2) a measure to change State law provisions regarding certain tobacco product excise taxes to allow the funds to be used in the Medi-Cal Program. The LAO expects that the Governor will ask that a separate measure be placed on a future election ballot to allow new mechanisms for funding redevelopment at the local level.

The Governor had proposed an accelerated budget process with a target date of March 1 to have all of the enabling legislation necessary to implement the budget solutions in place. This approach would have allowed the Legislature and the administration to put in place the budget solutions required to address the budget deficit in March and then finalize action on the budget bill prior to the state legislature's June 15 constitutional deadline for adopting a balanced budget. In the view of the administration, this would have allowed for the incorporation of any updated May Revision forecasts, as well as the results of the special election. No special election has been scheduled.

While the Governor's revenue proposals are projected to result in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above its current-law level, the Proposed Budget would result in a small programmatic funding decline for K-12 education and more significant reductions for community colleges and child care programs. The Proposed Budget reduces total Proposition 98 spending by less than 1% from the current year to the budget year. Under the Governor's plan, K-12 funding would change negligibly from 2010-11 to 2011-12. By comparison, community college district funding would be reduced $361 million or 6.3%. The Governor's Proposition 98 plan includes no cost-of-living-adjustments but funds enrollment growth for K-12 education (0.22%) and community college districts (1.9%).

Under the Governor's plan, K-12 programmatic funding per student decreases by about $100 or 1.4% from 2010-11 to 2011-12. Most of the decline in K-12 per student funding is attributable to the loss of federal stimulus funding. Under the Proposed Budget, K-12 per student programmatic funding in 2011-12 would be 6.4% lower than the fiscal year 2007-08 level.

The most substantial component of the Governor's Proposition 98 plan consists of $2.2 billion in new inter-year deferrals from 2011-12 to 2012-13—$2.1 billion from K-12 revenue limit payments and $129 million from community college district apportionment payments. In addition to the inter-year deferrals, the Governor proposes to continue intra-year deferrals to help with the State's cash flow problems. The Governor's intra-year deferral plan would delay $2.5 billion in K-12 payments and $200 million in community college district apportionments beginning in July 2011, reflecting the same magnitude as the 2010-11 intra-year deferrals.

The Governor proposes to achieve $750 million in Proposition 98 child care savings by making four major policy changes: (1) reducing child care subsidies by about 35%; (2) reducing income eligibility for subsidized child care from 75% to 60% of State median income, (3) eliminating subsidized child care for 11- and 12-year olds, and (4) reducing a portion of CalWORKs caseload based on reform proposals. After accounting for various other federal and State adjustments, the Governor's proposal would reduce total 2011-12 funding for Proposition 98-supported child care programs by about $652 million (29%) and child care slots by about 9,900 (3%) compared to 2010-11.

The Governor proposes a $400 million reduction to community college apportionments. In addition, the Governor reduces Proposition 98 funding for the Division of Juvenile Facilities by $8.7 million to reflect a three-year phase-out linked with his realignment proposal and provides no funding authority for the State's student and teacher data systems pending a comprehensive review of the two projects. In contrast to the proposed reductions, the Governor proposes two notable K-12 augmentations. First, the Governor provides $90 million to cover the ongoing cost of about 35 K-14 mandates. Though this is the same level of support as provided in the current year, the State used one-time funds in 2010-11. Second, the Governor provides $43 million in ongoing funding (and $11 million in one-time funding) for the Emergency Repair Program, which provides grants to low-performing schools to pay for school facility repairs needed for public health or safety reasons.

The Governor's plan also includes a two-year extension of existing K-14 fiscal relief options. For both school districts and community colleges, the Governor proposes to extend "categorical flexibility" from 2012-13 through 2014-15, reducing restrictions on funding associated with certain categorical programs. For school districts, the plan also would extend the existing K-3 Class Size Reduction Program from 2011-12 through 2013-14. Additionally, for school districts, the Governor proposes extending for two years the existing statutory provisions that reduce routine maintenance requirements, suspend deferred maintenance requirements, postpone instructional materials purchases, and lower unrestricted budget reserve requirements.

The Proposed Budget would also eliminate the Office of the Secretary of Education, resulting in estimated non-Proposition 98 General Fund net savings of roughly $400,000 in the current fiscal year and $1.6 million in the budget year.

Although the LAO concludes that the Proposed Budget's estimate of the size of the budget problem and its assumptions of the effectiveness of the proposed solutions are generally reasonable, it finds that significant political and practical obstacles to the proposed solutions may exist and notes that, in total, around $12 billion of the Governor's proposed budget solutions are dependent upon voter approval in June. The LAO credits the Governor's efforts to craft a budget plan that is heavily focused on multiyear and ongoing solutions. The LAO's early assessment of the out-year effects of the Proposed Budget is somewhat less favorable than the administration's, but the LAO concludes that the Proposed Budget would go a long way toward eliminating the State's persistent budget gap.

Additional information regarding the Proposed Budget for fiscal year 2011-12 may be obtained from the LAO at www.lao.ca.gov and from the Department of Finance at www.dof.ca.gov/budget/. However, the information set forth on such websites is not being incorporated herein by reference.

Senate Bill 70. On March 24, 2011, the Governor signed into law Senate Bill 70 ("SB 70"), which implements several provisions included in the Proposed Budget. Significant features of SB 70 relating to the funding of school districts include the following:

- For fiscal year 2011-12, SB 70 increases the revenue limit deficit factor for county offices of education and school districts to 19.892% and 19.608 %, respectively.

- SB 70 extends, for an additional two fiscal years, existing flexibility options available to school districts relating to deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials.

- SB 70 establishes a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12.

- SB 70 authorizes three new cross-fiscal year deferrals of State apportionments, as follows: (1) $1.3 billion from March to August, (2) $763,794,000 from April to August, and (3) $500 million from June to July. SB 70 also makes several one-time modifications to existing 2010-11 intra-fiscal year deferrals. The existing $2 billion February-to-July deferral is broken down into three deferrals of $24.7 million to be paid in July, $1.4 million to be paid in August and $569.8 million to be paid in September. SB 70 also extends the existing April-to-July deferral to September and the existing May-to-July deferral to September. These deferrals are in addition to existing inter-fiscal year deferrals applicable to fiscal years 2010-11 and 2011-12. See "CONSTITUTIONAL

AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Cash Management Legislation" herein.

- SB 70 extends eligibility for supplemental categorical block grants to charter schools that begin operations in fiscal year 2011-12. SB 70 also appropriates $5 million from the State general fund to the Charter School Revolving Loan Fund.

- SB 70 authorizes the State Director of Finance to adjust the State's Proposition 98 calculation to ensure that any shift in property taxes previously received by redevelopment agencies does not affect the State's minimum funding obligations under Proposition 98.

- SB 70 implements a reduction to categorical funding for basic aid school districts in proportion to the revenue limit funding reductions experienced by non-basic aid school districts in fiscal years 2008-09 and 2009-10. SB 70 declares the State legislature's intent to restore this categorical funding at the same time as such revenue limit funding reductions are restored.

The full text of SB 70 is available at http://www.leginfo.ca.gov/bilinfo.html. However, the information set forth on such website is not being incorporated herein by any reference.

Governor's May Revision to the Proposed Budget. On May 16, 2011, the Governor released his May revision to the Proposed Budget for fiscal year 2011-12 (the "May Revision"). On May 19, 2011, the LAO released its overview of the May Revision (the "May Revision Overview"). The following information is drawn from the May Revision Overview.

Since the release of the Proposed Budget, the projected budget deficit grew from $25.4 billion to $26.6 billion, owing largely to the Governor's decision to cancel the sale of State buildings authorized by the 2010-11 Budget. Legislation signed into law by the Governor prior to the release of the May Revision (including SB 70 and SB 82) reduced this deficit by approximately $11 billion. The May Revision also assumes an additional $2.4 billion in savings from pending budget legislation.

Along with the changes in the budget deficit, the May Revision forecasts higher-than anticipated State general fund revenues totaling $6.6 billion for both fiscal years 2010-11 and 2011-12. The increase in revenues is largely attributed to strong personal income tax ("PIT") collections experienced since the beginning of the 2011 calendar year. Offsetting these increased revenues, the May Revision identifies an additional $3 billion in general fund costs, including a net increase of $1.6 billion in Proposition 98 expenditures. The LAO notes that the May Revision's revenue projections are reasonable. Taking into account the net increase to State revenues, the May Revision projects a revised budget deficit of $9.6 billion.

To address this budget gap, the May Revision proposes measures totaling $10.8 billion for both fiscal years 2010-11 and 2011-12. These measures are in addition to, or modify, those set out by the Proposed Budget and subsequent budget legislation. Assuming the implementation of these measures, the May Revision projects, for fiscal year 2010-11, year-end revenues of $88.8 billion and expenditures of $91.6 billion. The May Revision projects that the State will end the 2010-11 fiscal year with a deficit of $2.8 billion. For fiscal year 2011-12, the May Revision projects total revenues of $90.8 billion and expenditures of $88.8 billion, and projects the State will end the 2011-12 fiscal year with a surplus of $1.2 billion.

For fiscal year 2010-11, the May Revision continues to suspend the Proposition 98 minimum funding guarantee. Total Proposition 98 funding increases slightly to $49.8 billion, or approximately $129 million above the level set by the 2010-11 Budget. The increase accounts for higher-than-expected K-12 education costs and higher-than-expected community college property tax revenues. Although total Proposition 98 funding increases, the State general fund share (which the May Revision sets at $35.7 billion) is approximately $517 million below the level set by the budget legislation adopted in March.

For fiscal year 2011-12, the May Revision proposes to fund the Proposition 98 minimum fund guarantee. This guarantee, however, increases by approximate $3 billion from the prior year, owing primarily to improvements to the State's revenues and the rebenching proposed by the May Revision (discussed herein). The May Revision sets total Proposition 98 funding to $52.4 billion, including $38.3 billion from the State general fund. The bulk of the increase in Proposition 98 funding, approximately $2.5 billion, is designed to reduce or eliminate existing State apportionment deferrals affecting school districts, including $2.1 billion to eliminate the March-to-August and April-to-August deferrals enacted by SB 70. As such, programmatic spending is virtually unchanged. Per-pupil programmatic spending increases to $7,733 from a prior fiscal year figure of $7,693, reflecting a difference of only $40.

The May Revision proposes certain adjustments, commonly called "rebenching," to the Proposition 98 minimum funding guarantee to account for (i) the recent policy change that eliminated the sales tax on gasoline, and (ii) the May Revision's proposal to shift the responsibility for providing certain mental health services from county health agencies to school districts. This rebenching is expected to raise the minimum funding guarantee by approximately $656 million. The LAO notes that this rebenching raises serious legal and logistical questions, and suggests that the Governor revisit the benefits of this proposal.

With respect to education funding, the May Revision also proposes the following revenue increases: (i) $389 million to fund the delivery of certain mental health services by school districts rather than county agencies, (ii) $19.5 million for charter school block grants, (iii) $3.2 million to support clean and renewable energy job training, (iv) $13.9 million for county offices of education reflecting updates to unemployment insurance, PERS, A.D.A. and deficit factor adjustments, and (v) $8 million in supplemental categorical funding for charter schools that commenced operations within the past three fiscal years. The May Revision proposes the following major expenditures reductions: (A) a $690.3 million decrease in revenue limit and special education apportionments to school districts and county offices of education, (B) a net decrease of $97.2 million to child care and development programs, and (C) projected savings of $41 million from the implementation of a proposed reform package that would eliminate or reduce the cost of certain K-14 educational mandates.

The May Revision retains several key features included in the Governor's Proposed Budget:

- *Redevelopment Agencies.* The May Revision maintains the Governor's proposal to eliminate redevelopment agencies. For fiscal year 2011-12 only, the May Revision authorizes $1.7 billion of tax increment revenue to fund Medi-Cal and trial court services, after the payment of redevelopment agency bond debt service. In subsequent fiscal years, all property tax increment, net of such debt service, would flow to cities, counties, special district and school districts.

- *Tax Extensions.* The May Revision continues to propose the extension of sales and use taxes, vehicle license fees and dependent exemption credits for an additional five years. Unlike the Proposed Budget, the May Revision would omit the personal income tax surcharge in the 2011 tax year, but would reinstate it for four years beginning in 2012. The LAO notes that the May Revision does not specify a target date for such election.

According to the LAO, this will likely create significant uncertainty for both state and local governments. The LAO expects that this uncertainly will compel school districts to continue making budgetary and staffing decisions assuming the tax extensions will not be approved. The failure of such an election would also require the State to consider significant reductions to state programs to bring the budget back into balance.

- *Realignment.* Following discussions with various state agencies, the May Revision proposes an amended version of the Governor's plan to shift the delivery of certain health and safety services from state agencies to local governments.

- *Enterprise Zones.* In the Proposed Budget, the Governor advocated for the elimination of the State's enterprise zones. The May Revision submits a new proposal that would retain them, with certain modifications to the current program. The May Revision projects attendant increases to State general fund revenues of $23 million in 2010-11 and $70 million in 2011-12.

- *State Government.* The May Revision proposes the elimination or consolidation of several state agencies and programs, as well as workload reductions for others, with the goal of eliminating duplicative services and increasing efficiency. In several instances, elimination of certain agencies would be necessitated if the Governor's realignment plans are implemented. The May Revision projects total savings of $36.1 million resulting from these proposals, including a savings of $25.1 million to the State general fund.

Additional information regarding the May Revision may be obtained at LAO's website: www.lao.ca.gov. However, the information set forth on such website is not being incorporated herein by any reference.

2011-12 Budget. The 2011-12 Budget Act (the "2011-12 Budget") was signed into law by the Governor on June 30, 2011. The Department of Finance has released its summary of the 2011-12 Budget (the "Department of Finance Report"). The following information is drawn from the Department of Finance Report.

The 2011-12 Budget seeks to close the deficit identified in the May Revision through a combination of measures totaling $27.2 billion. Specifically, the 2011-12 Budget includes $15 billion of expenditure reductions, $900 million of targeted revenue increases, $2.9 billion of other measures and a positive adjustment to the State's revenue outlook totaling $8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately $1.2 billion above the amounts projected by the May Revision. As a result, the 2011-12 Budget projects an additional $4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor's proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State's revenues.

With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of $94.8 billion and expenditures of $91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of $2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of $88.5 billion and authorizes total expenditures of $85.9 billion. The 2011-12 Budget projects that the State will end fiscal year 2011-12 with a $543 million surplus.

The 2011-12 Budget also includes a series of "trigger" reductions that are authorized to be implemented in the event the State's revenues are less than forecasted. The first series of reductions, totaling approximately $600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than $1 billion. If by January of 2012 revenues are projected to fall short by more than $2 billion, a second series of reductions totaling approximately $1.9 billion would be implemented, of which $1.8 billion relates to K-12 revenue limit funding and home-to-school transportation.

As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of $1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length the school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means.

Total Proposition 98 funding is decreased in fiscal year 2011-12 to $48.7 billion, including $32.8 billion from the State general fund, which reflects a decrease from the prior year of $1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of $221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of $578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of $1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a $1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals $1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts.

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements under AB 1200 (see [DISTRICT FINANCIAL MATTERS – District Budgets" herein]). School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of 2011-12 Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 Budget also implements other significant measures with respect to K-12 education funding, as follows:

- *Apportionment Deferral.* An additional deferral of $1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.

- *Part-Day Preschool.* A decrease of $62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

- *Charter Schools.* $11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.

- *Clean Technology and Renewable Energy Training.* $3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.

- *Child Care and Development.* A decrease of $180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

- *CALTIDES.* A decrease of $2.1 billion to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicates the program is not a critical need.

- *Office of the Secretary of Education.* The 2011-12 Budget projects a budget savings of $1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

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

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Bonds (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

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

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

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of 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 eight months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2010-11 fiscal year (which is due not later than March 1, 2012), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of listed events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of listed events is described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX C. These covenants have been made in order to assist the Underwriter in complying with the Rule. The District has, in the past, failed to file certain of its required annual reports and notices of listed events in a timely manner as required by its prior continuing disclosure obligations. The District has since filed all such reports and notices of listed events and is current with respect to all filings required under its prior continuing disclosure obligations.

Legality for Investment in California

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

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Information Reporting Requirements

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

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX B.

Financial Statements

Excerpts from the financial statements with supplemental information for the year ended June 30, 2010, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 14, 2010 of James Marta & Company, Certified Public Accountants (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of portions of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned ratings of "Aa1" and "AA," respectively, to the Bonds.

Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $37,771,110.92, which is equal to the initial principal amount of the Bonds of $37,999,105.55, and less the Underwriter's discount of $227,994.63. The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Bonds, allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District's Board of Trustees.

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

ACALANES UNION HIGH SCHOOL DISTRICT

By /s/ John Nickerson, Ed.D.
Superintendent

APPENDIX A

EXCERPTS FROM THE 2009-10 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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ACALANES UNION HIGH SCHOOL DISTRICT

COUNTY OF CONTRA COSTA
LAFAYETTE, CALIFORNIA

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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ACALANES UNION HIGH SCHOOL DISTRICT

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James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Education
Acalanes Union High School District
Lafayette, CA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Acalanes Union High School District (the "District"), as of and for the year ended June 30, 2010, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Acalanes Union High School District as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2010 on our consideration of the Acalanes Union High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Statement of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual for the General Fund are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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e-mail: jmarta@jpmcpa.com www.jpmcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Acalanes Union High School District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The Schedule of Financial Trends and Analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James Marta

December 14, 2010

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the Acalanes Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's current year revenues were below total current year expenses by $2,693,225. This is primarily due to the steep cuts in revenue from the State.
- Capital assets, net of depreciation, increased by $2.2 million mainly due to the acquisition of $6.5 million of capital assets in connection with the construction and renovation of various school sites offset by the recognition of depreciation expense of $4.3 million.
- Total long-term liabilities increased $12.3 million due to the issuance of $30 million of new General Obligation Bonds in the current year and offset of by required payments for existing long-term obligations. In addition, $265,859 was added as part of the required reporting of the OPEB liability.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year revenues exceeded total current year expenditures by $8.8 million due primarily to the issuance of General Obligation Bonds in the Building Fund.
- During FY 09-10, the District's General Fund produced an operating deficit of $1.1 million. Through careful planning the District had adequate reserves to run an operating deficit for the FY 09-10. This allowed the continuance of $1.1 million in program offered to the students of the District in spite of the cutbacks from the State.
- The District's P-2 ADA, exclusive of adult education ADA, decreased from 5,475 ADA, in fiscal year 2008-09, down to 5,414 ADA in fiscal year 2009-10, a decrease of 61 ADA.

The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2009-10, General Fund expenditures and other financing uses totaled $54 million. At June 30, 2010, the District has available reserves of $2.6 million in the General Fund, which represents a reserve of 4.8%.

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

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

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

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

Governmental Activities:

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

Business-type Activities:

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

<u>Reporting the District's Most Significant Funds</u>

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

Governmental Funds:

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

Fiduciary Funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets decreased from $28.8 million at June 30, 2009, down to $26.2 million at June 30, 2009, a decrease of 10%.

Comparative Statement of Net Assets

	Governmental Activities	
	2009	2010
Assets		
Deposits and Investments	$ 52,044,966	$ 62,652,222
Receivables	2,841,678	2,428,130
Prepaid Expenses	25,934,458	24,388,364
Capital Assets, net	126,981,307	129,202,327
Total Assets	207,802,409	218,671,043
Liabilities		
Current	33,847,224	20,194,158
Long-Term	145,106,651	172,321,576
Total Liabilities	178,953,875	192,515,734
Net Assets		
Invested in Capital Assets		
- Net of Related Debt	9,611,085	1,557,993
Restricted for Capital Projects	11,891,734	12,615,001
Restricted for Debt Service	1,197,335	7,092,034
Restricted for Special Purposes	2,348,152	476,349
Unspent Categorical Programs	2,000,574	743,839
Unrestricted	1,799,654	3,670,093
Total Net Assets	$ 28,848,534	$ 26,155,309

The District's total current year expenses exceeded total current year revenues by $2,693,255.

Comparative Statement of Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2010
Program Revenues		
Charges for Services	$ 1,056,583	$ 743,297
Operating Grants & Contributions	8,624,631	8,104,744
General Revenues		
Taxes Levied	45,810,343	46,406,493
Federal & State Aid	6,634,377	3,530,143
Interest & Investment Earnings	1,213,423	811,978
Interagency Revenues	44,408	55,676
Miscellaneous	3,913,798	3,462,263
Total Revenues	67,297,563	63,114,594
Expenses		
Instruction	34,525,677	33,034,960
Instruction-Related Services	7,500,043	7,302,134
Pupil Services	6,819,675	6,601,985
General Administration	4,068,417	4,681,860
Plant Services	7,485,964	7,077,647
Ancillary Services	858,368	951,869
Community Services	112,366	125,160
Enterprise Activities	8,778	9,576
Interest on Long-Term Debt	5,511,232	5,824,959
Other Outgo	242,383	197,669
Total Expenses	67,132,903	65,807,819
Change in Net Assets	$ 164,660	$ (2,693,225)

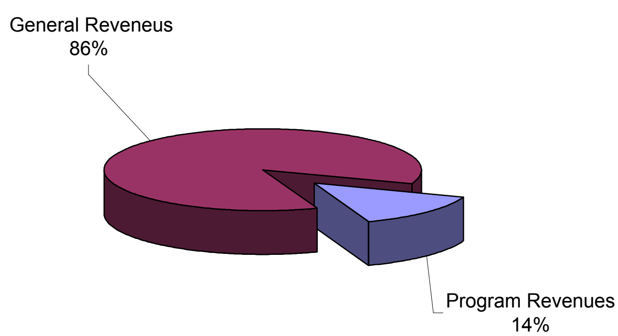
Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Instruction	$ 34,525,677	$ 33,034,960	$ 27,414,237	$ 27,704,558
Instruction-Related Services	7,500,043	7,302,134	6,300,851	6,468,275
Pupil Services	6,819,675	6,601,985	6,092,876	4,724,100
General Administration	4,068,417	4,681,860	3,880,359	4,602,047
Plant Services	7,485,964	7,077,647	7,123,141	6,932,724
Ancillary Services	858,368	951,869	765,466	864,149
Community Services	112,366	125,160	112,366	125,160
Enterprise Activities	8,778	9,576	8,778	9,576
Interest on Long-Term Debt	5,511,232	5,824,959	5,511,232	5,824,959
Other Outgo	242,383	197,669	242,383	(295,770)
Totals	$ 67,132,903	$ 65,807,819	$ 57,451,689	$ 56,959,778

Table includes financial data of the combined governmental funds

The table above presents the cost of all District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $56,959,778 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.

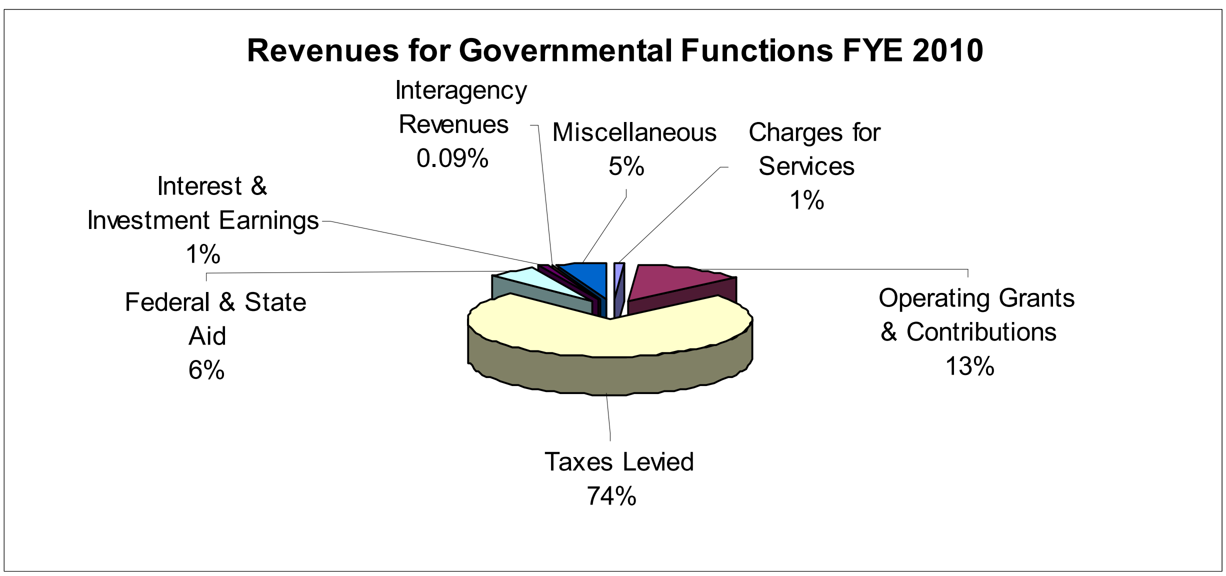
Program and General Revenues



Program revenues financed 14% of the total cost of providing the services listed above, while the remaining 86% was financed by the general revenues of the District.

Summary of Revenues For Governmental Functions

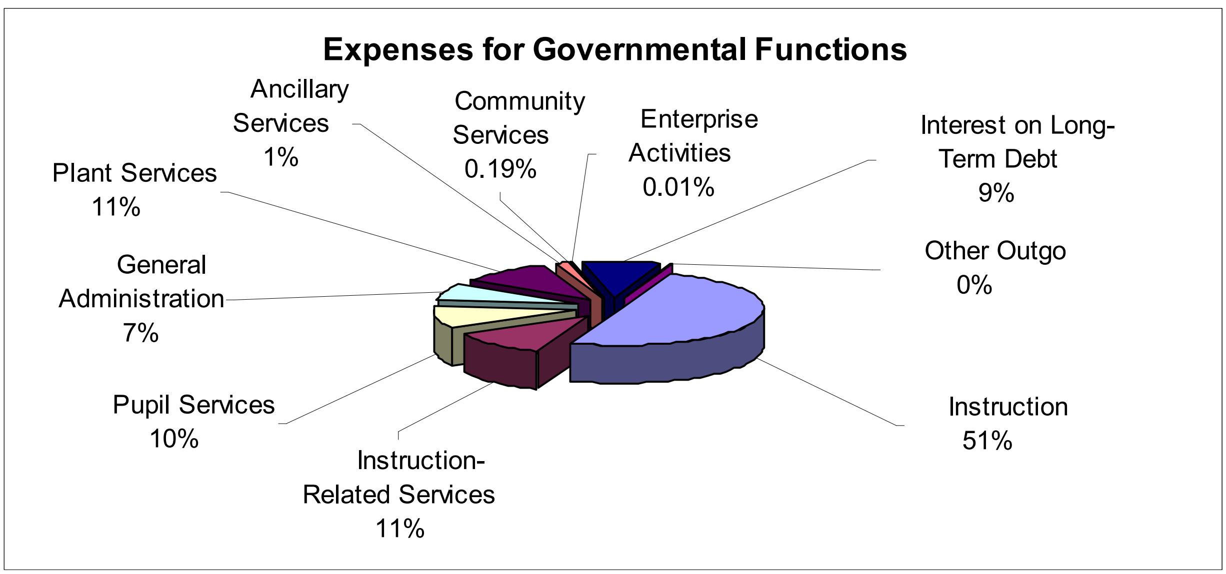
	FYE 2009 Amount	Percent of Total	FYE 2010 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 1,056,583	1.57%	$ 743,297	1.18%
Operating Grants & Contributions	8,624,631	12.82%	8,104,744	12.84%
General Revenues				
Taxes Levied	45,810,343	68.07%	46,406,493	73.53%
Federal & State Aid	6,634,377	9.86%	3,530,143	5.59%
Interest & Investment Earnings	1,213,423	1.80%	811,978	1.29%
Interagency Revenues	44,408	0.07%	55,676	0.09%
Miscellaneous	3,913,798	5.82%	3,462,263	5.49%
Total Revenues	$ 67,297,563	100.00%	$ 63,114,594	100.00%



Schedule of Expenses For Governmental Functions

Expenses	FYE 2009 Amount	Percent of Total	FYE 2010 Amount	Percent of Total
Instruction	$ 34,525,677	51.43%	$ 33,034,960	50.20%
Instruction-Related Services	7,500,043	11.17%	7,302,134	11.10%
Pupil Services	6,819,675	10.16%	6,601,985	10.03%
General Administration	4,068,417	6.06%	4,681,860	7.11%
Plant Services	7,485,964	11.15%	7,077,647	10.76%
Ancillary Services	858,368	1.28%	951,869	1.45%
Community Services	112,366	0.17%	125,160	0.19%
Enterprise Activities	8,778	0.01%	9,576	0.01%
Interest on Long-Term Debt	5,511,232	8.21%	5,824,959	8.85%
Other Outgo	242,383	0.36%	197,669	0.30%
Total Expenses	$ 67,132,903	100.00%	$ 65,807,819	100.00%

Table includes financial data of the combined governmental funds



Comparative Schedule of Capital Assets

	Governmental Activities 2009		Governmental Activities 2010	
Land	$	1,905,037	$	1,908,437
Sites and Improvements		29,435,801		29,464,160
Buildings and Improvements		140,294,770		140,294,770
Furniture and Equipment		4,045,652		4,407,352
Work-in-Progress		-		6,123,174
Subtotals		175,681,260		182,197,893
Less: Accumulated Depreciation		(48,699,953)		(52,995,556)
Capital Assets, net	$	126,981,307	$	129,202,337

Capital assets, net of depreciation, increased by $2.2 million due to the current year acquisition of $6.5 million of new capital assets, and the current year recognition of $4.3 million of depreciation expense.

Comparative Schedule of Long Term Liabilities

	Governmental Activities 2009		Governmental Activities 2010	
Compensated Absences	$	329,290	$	331,710
General Obligation Bonds		164,440,733		176,435,845
OPEB Liability		470,840		736,699
Totals	$	165,240,863	$	177,504,254

Total long-term liabilities increased by $12.5 million due to the issuance of $30 million of new General Obligation Bonds in the current year offset by the required payments of existing general obligation bonds and repayment of the Bond Anticipation Notes issued last year. In addition, $265,859 is added as part of the required reporting of the OPEB liability.

The general obligation bonds are financed by the local taxpayers and represent 99.4% of the District's total outstanding debt. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on all of its debt issues. The remaining 0.6% of the District's outstanding debt consists of accrued compensated absences owed to District employees at June 30, 2010 and the required reporting of OPEB liability.

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

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2009	Fund Balances June 30, 2010	Increase (Decrease)
General	$ 6,794,474	$ 5,664,442	$ (1,130,032)
Bond Interest & Redemption	6,323,102	7,092,034	768,932
Building	15,607,842	24,840,283	9,232,441
Special Reserve	11,013,614	11,320,782	307,168
Deferred Maintenance	1,935,374	1,375,892	(559,482)
Cafeteria	4,500	29,457	24,957
Adult Education	408,278	446,892	38,614
County School Facilities	16,206	-	(16,206)
Capital Facilities	254,072	401,670	147,598
Totals	$ 42,357,462	$ 51,171,452	$ 8,813,990

The combined fund balances of all District funds increased $8.8 million. The General Fund decreased by $1,130,032 due to the various State Budget cuts. The Building fund increased by $9.2 million due to the sale of General Obligation Bonds. .

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The adopted budget included transaction for the SELPA for which the District acts as the administrative unit. The inflows and outflows were part of Other State Revenues and Other Outgo, respectively, were excluded from the budget and actual audited numbers since the District only acts in an agency capacity.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The State's economic condition is the most significant factor affecting the District's future. Since the financial wellbeing of the District is tied in large measure to the state funding formula, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be an extended cycle of lean years and it is not expected to improve for several more years.

- In an effort to establish a dependable and stable revenue stream the Governing Board held two parcel tax elections during the FY 09-10. On November 3, 2009, the electorate approved Measure G, to provide stable local funding at our high schools and protect core academic programs from deep State budget cuts; preserve science, mathematics, arts, music and foreign language courses; and maintain library hours. This replaced an existing six year $189 per parcel tax that was scheduled to expire on June 30, 2011. As a result of the passage of Measure G the District can rely on approximately $6.7 million dollars of stable local revenue source indefinitely as it has no sunset date.

  On May 4, 2010 the electorate approved Measure A, the Emergency Education Act to avoid the loss of science, math, foreign language, English, Social Studies, and art classes due to the continuing deep cuts in the state's budget and to provide students with high quality programs and services. This is a five-year $112 per parcel tax that starts on July 1, 2010 and expires on June 30, 2015.

  The combined parcel taxes represent 19.3% of the District's general fund revenues for future year budgets. Both parcel taxes are reliable income sources that cannot be taken by the state creating some stability in the District's revenue stream.

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. The District enrollment dropped by 68 students from the 2008-2009 fiscal year. However, the Average Daily Attendance (ADA) for the fiscal year 2009-10 was based on 2008-2009 ADA. Staff projects that District's ADA will continue to decrease slightly in the next fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ACALANES UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash	$ 48,843,357
Investments	13,808,865
Receivables	2,428,130
Prepaid expenses	24,388,364
Capital Assets - net of accumulated depreciation	129,202,327
Total Assets	218,671,043
LIABILITIES	
Accounts payable and other current liabilities	5,081,750
Deferred revenue	44,730
Current loans	9,885,000
Long-term liabilities -	
Due within one year	5,200,000
Due after one year	172,304,254
Total Liabilities	192,515,734
NET ASSETS	
Invested in capital assets, net of related debt	1,557,993
Restricted	20,927,223
Unrestricted	3,670,093
Total Net Assets	$ 26,155,309

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

ACALANES UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Program Revenues		Net (Expense) Revenues and Changes in Net Assets
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities				
Instruction	$ 33,034,960	534,346	$ 4,796,056	$ (27,704,558)
Instruction - related services:				
Supervision of instruction	3,120,299	13,248	482,965	(2,624,086)
Instructional library and technology	1,751,334	48,785	149,936	(1,552,613)
School site administration	2,430,501	10,044	128,881	(2,291,576)
Pupil Services:				
Home-to-school transportation	724,648	-	130,468	(594,180)
Food services	1,024,829	-	79,680	(945,149)
All other pupil services	4,852,508	115,263	1,552,474	(3,184,771)
General administration:				
Data processing	573,695		33,362	(540,333)
All other general administration	4,108,165	-	46,451	(4,061,714)
Plant services	7,077,647	-	144,923	(6,932,724)
Ancillary services	951,869	21,611	66,109	(864,149)
Community services	125,160	-	-	(125,160)
Enterprise activities	9,576	-	-	(9,576)
Interest on long-term debt	5,824,959	-	-	(5,824,959)
Other outgo	197,669	-	493,439	295,770
Total governmental activities	$ 65,807,819	$ 743,297	$ 8,104,744	(56,959,778)

General Revenues	
Taxes and subventions:	
Taxes levied for general purposes	31,700,944
Taxes levied for debt service	7,711,914
Taxes levied for other specific purposes	6,993,635
Federal and state aid not restricted to specific purposes	3,530,143
Interest and investment earnings	811,978
Interagency revenues	55,676
Miscellaneous	3,462,263
Special and extraordinary items	
Internal Transfers	-
Total general revenues	54,266,553
Change in net assets	(2,693,225)
Net assets - beginning	28,848,534
Net assets - ending	$ 26,155,309

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

ACALANES UNION HIGH SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Totals
ASSETS						
Cash and cash equivalents	$ 16,398,397	$ 22,061,889	$ 1,376,902	$ 6,687,035	$ 2,319,134	$ 48,843,357
Accounts receivable	2,159,135	169,338	1,320	-	98,337	2,428,130
Investments	-	3,864,757	9,944,108	-	-	13,808,865
Due from other funds	-	-	-	404,999	-	404,999
Total assets	$ 18,557,532	$ 26,095,984	$ 11,322,330	$ 7,092,034	$ 2,417,471	$ 65,485,351
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 2,979,050	$ 850,702	$ 1,548	$ -	$ 147,870	$ 3,979,170
Due to other funds	-	404,999	-	-	-	404,999
Deferred revenue	29,040	-	-	-	15,690	44,730
Current Loans	9,885,000	-	-	-	-	9,885,000
Total liabilities	12,893,090	1,255,701	1,548	-	163,560	14,313,899
Fund balances	5,664,442	24,840,283	11,320,782	7,092,034	2,253,911	51,171,452
Total liabilities and fund balances	$ 18,557,532	$ 26,095,984	$ 11,322,330	$ 7,092,034	$ 2,417,471	$ 65,485,351

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

ACALANES UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total fund balances - governmental funds		$ 51,171,452
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds		
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost:	$ 182,197,893	
Accumulated depreciation:	(52,995,566)	
		129,202,327
Unamortized costs: In governmental funds, bond refunding and bond issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, bond refunding and bond issuance costs are amortized over the life of the debt. Unamortized bond refunding and bond issuance costs at year end consist of:		24,388,364
Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received while bond discounts are recognized as expenditures in the period they are incurred. In the government-wide statements, premiums and discounts are amortized over the life of the debt. Unamortized premiums and discounts at year-end consist of:		(5,501,577)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(1,102,580)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	$ (170,934,268)	
Other post-employment benefits	(736,699)	
Compensated absences payable	(331,710)	
		(172,002,677)
Total net assets, governmental activities		$ 26,155,309

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

ACALANES UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Totals
REVENUES						
Revenue limit sources:						
State apportionment	$ (193,982)	$ -	$ -	$ -	$ -	$ (193,982)
Local sources	31,700,944	-	-	-	-	31,700,944
Total revenue limit	31,506,962	-	-	-	-	31,506,962
Federal revenue	1,948,171	-	-	-	125,637	2,073,808
Other state revenues	4,798,501	-	-	66,037	67,341	4,931,879
Other local revenues	14,272,128	868,983	358,411	7,658,010	1,444,413	24,601,945
Total revenues	52,525,762	868,983	358,411	7,724,047	1,637,391	63,114,594
EXPENDITURES						
Certificated salaries	26,379,323	-	-	-	683,114	27,062,437
Classified salaries	7,768,834	456,683	-	-	705,598	8,931,115
Employee benefits	10,734,803	141,754	-	-	324,154	11,200,711
Books and supplies	1,356,243	255,658	34,412	-	410,997	2,057,310
Services and other operating expenditures	6,254,807	545,921	9,000	-	125,154	6,934,882
Capital outlay	59,207	5,302,677	7,831	-	586,762	5,956,477
Other outgo	197,669	-	-	-	-	197,669
Debt service expenditures	-	15,448,228	-	7,360,114	-	22,808,342
Total expenditures	52,750,886	22,150,921	51,243	7,360,114	2,835,779	85,148,943
Excess of revenues over expenditures	(225,124)	(21,281,938)	307,168	363,933	(1,198,388)	(22,034,349)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	400,000	71,039	-	-	1,233,869	1,704,908
Operating transfers out	(1,304,908)	-	-	-	(400,000)	(1,704,908)
Other sources	-	30,443,340	-	404,999	-	30,848,339
Total other financing sources (uses)	(904,908)	30,514,379	-	404,999	833,869	30,848,339
Net change in fund balances	(1,130,032)	9,232,441	307,168	768,932	(364,519)	8,813,990
Fund balances, July 1, 2009	6,794,474	15,607,842	11,013,614	6,323,102	2,618,430	42,357,462
Fund balances, June 30, 2010	$ 5,664,442	$ 24,840,283	$ 11,320,782	$ 7,092,034	$ 2,253,911	$ 51,171,452

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

ACALANES UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds		$ 8,813,990
Amounts reported for revenues and expenses for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 6,516,633	
Depreciation expense:	(4,295,613)	2,221,020
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		19,065,433
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:		(29,999,818)
Debt issue costs: In governmental funds, debt issue costs are recognized in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized over the period is:		89,374
Amortization: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received in govemmental funds. In the government-wide statements, premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and premiums amortized for the period are:		(156,211)
Amortization: In governmental funds, bond discounts and bond refunding losses are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. The difference between discounts and refunding losses recognized in the current period and discounts, refunding losses amortized for the period are:		
Bond discounts amortized	$ (58,623)	
Bond refunding amortized	(1,635,468)	(1,694,091)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		81,250
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the govemmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was:		(845,893)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(2,420)
Postemployment benefits other then pensions (OPEB): In the government-wide statements, expenses related to post-retirement healthcare benefits are measured by the amounts incurred during the year. In the governmental funds, expenditures are measured by the amount of financial resources used. This year, the difference between OPEB costs and actual employer contribution was:		(265,859)
Total change in net assets - governmental activities		$ (2,693,225)

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

ACALANES UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Private-Purpose Trust	Agency Funds		
	Scholarship Funds	Student Body Funds	Contra Costa SELPA	Total Fiduciary Funds
ASSETS				
Cash and cash equivalents	$ 957,775	$ 1,295,329	$ 1,027,885	$ 3,280,989
Accounts receivable	-	-	10,481,222	10,481,222
Investments	299,467	-	-	299,467
Total assets	1,257,242	1,295,329	11,509,107	14,061,678
LIABILITIES				
Accounts payable	41,801	-	10,728,635	10,770,436
Due to Contra Costa SELPA	-	-	780,472	780,472
Due to student groups	-	1,295,329	-	1,295,329
Total liabilities	41,801	1,295,329	11,509,107	12,846,237
NET ASSETS				
Reserved for scholarships	1,215,441	-	-	1,215,441
Total net assets	$ 1,215,441	$ -	$ -	$ 1,215,441

ACALANES UNION HIGH SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
	Scholarship Funds
Additions	
Gifts and Contributions	$ 82,010
Interest	84,109
Total Additions	166,119
Deductions	
Scholarships Awarded	(40,602)
Total Deductions	(40,602)
Changes in Net Assets	125,517
Net Assets	
Net Assets - July 1, 2009	1,089,924
Net Assets - June 30, 2010	$ 1,215,441

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY OF DISTRICT

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

B. REPORTING ENTITY

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

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

C. ACCOUNTING POLICIES

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

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

D. BASIS OF PRESENTATION

Government-wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities.

Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

F. FUND ACCOUNTING

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

Governmental Funds

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes

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

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

3. The **Cafeteria Fund** is used to account separately for federal, state, and local resources to operate the food service program.

The **Capital Projects Funds** are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities, Building, Special Reserve for Capital Outlay Projects and County School Facilities Funds.

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

2. The **Special Reserve Fund or Capital Outlay Projects** is used to account for special building projects as determined by the governing board of the District.

3. The **Capital Facilities Fund** is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620–17626).

4. The **County Schools Facilities** Fund is established pursuant to Education Code Section 17070.43 to receive apportionments for the District's new school facility construction and modernization projects.

The **Debt Service Funds** are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption Fund.

1. The **Bond Interest and Redemption Fund** is maintained by the County Treasurer and is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of other parties in a trustee or agent capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

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

G. BUDGETS AND BUDGETARY ACCOUNTING

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 8).

H. ENCUMBRANCES

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

I. DEPOSITS AND INVESTMENTS

The District is authorized to maintain cash in banks and revolving funds that are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

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

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

J. PREPAID EXPENSES/EXPENDITURES

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

K. INVENTORY

Inventory in the Cafeteria fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

The cafeteria fund records supplies expense which includes a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus commodities.

L. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Life in Years
Sites and improvements	20
Buildings and improvements	50
Furniture and equipment	5-20

M. CURRENT LOANS

Current loans consist of Tax Revenue Anticipation Notes (TRANS) which are short-term debt instruments issued in anticipation of taxes to be collected at a later date. They are used to finance temporary cash flow shortfalls arising from the normal mismatch between the timing of expenditures and the receipt of revenues. The notes are repaid from the revenues to which they relate. Tax and revenue anticipation notes can mature in either the same fiscal year as issued or in the following fiscal year. Because tax and revenue anticipation notes are short term rather than long term, they are reported as a fund liability in the fund receiving the proceeds. The proceeds are held by a fiscal agent or trustee, except for amounts drawn down by the District to avoid cash shortfalls.

N. DEFERRED REVENUE

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

O. COMPENSATED ABSENCES

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

P. LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight line method which is not materially different from the effective interest method. Bonds payable are reported gross of premiums and net of discounts. Issuance costs are reported as part of prepaid expenses.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Q. RESTRICTED NET ASSETS

Restrictions of the ending net assets indicate the portions of net assets not appropriate for expenditure or amounts legally segregated for specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

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

R. FUND BALANCE RESERVES AND DESIGNATIONS

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

S. REVENUE LIMIT/PROPERTY TAX

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

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

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

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

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

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

T. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

U. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 consist of the following:

	Governmental Activities	Fiduciary Activities
Cash on hand and in banks	$ -	$ 1,227,630
Cash in revolving fund	23,000	3,000
Cash with fiscal agent	3,488,350	-
Cash in county treasury	26,301,922	2,050,359
Local agency investment fund	19,030,085	-
Total Cash and Cash Equivalents	48,843,357	3,280,989
Investments	13,808,865	299,467
Total Cash and Investments	$ 62,652,222	$ 3,580,456

A. Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation.

B. Cash in Revolving Funds

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

C. Cash with Fiscal Agent

Cash with fiscal agent consists of earned retention funds, held in an escrow account at Union Bank of California.

D. County Pool Investments

County pool investments consist of District cash held by the Contra Costa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 122 days. The pool is rated AAA by Standard and Poor’s.

E. Local Agency Investment Fund (LAIF)

The District may also invest in the State of California's Local Agency Investment Fund (LAIF) administered by the State Treasurer. California law restricts the Treasurer to investments in the following categories: U.S. Government securities, securities of federally sponsored agencies, domestic corporate bonds, interest bearing time deposits in California banks and savings and loan associations, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds. . Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF. LAIF has a weighted average maturity of 235 days. LAIF is currently unrated as to credit risk.

LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office, 915 Capitol Mall, Sacramento, CA 95814. The Pooled Money Investment Board has established policies, goals and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized and that prudent management prevails. LAIF has a continuing audit process throughout the year. The State Controller's Office, as well as an in-house audit process involving three separate divisions, audits all investments on a daily basis.

F. Investment Risks

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	NlA	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 rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Governmental Activities:

Investment Type	Fair Value	Investment Maturities <1 Year	1-5 Years	>5 Years
Certificates of Deposit	$ 2,888,453	$ 2,188,280	$ 700,173	$ -
US Treasury	2,416,512	-	2,416,512	
Governmental Agencies	4,639,143	1,023,130	3,616,013	-
Municipal Obligations	3,864,757	-	1,564,070	2,300,687
Total Investments	$ 13,808,865	$ 3,211,410	$ 8,296,768	$ 2,300,687

Fiduciary Activities:

Investment Type	Fair Value	Investment Maturities <1 Year	1-5 Years	>5 Years
Governmental Agencies	$ 42,498	$ -	$ 42,498	$ -
Municipal Obligations	6,181	-	-	6,181
Mutual Funds	250,788	-	-	-
Total	$ 299,467	$ -	$ 42,498	$ 6,181

Credit Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the next page is the actual rating as of the year-end for each investment type.

Governmental Activities:

Investment Type	Fair Value	Rating as of June 30, 2010 AAA	BBB	Unrated
Certificates of Deposit	$ 2,888,453	$ 603,234	$ 196,501	$ 2,088,718
US Treasury	2,416,512	2,416,512	-	-
Governmental Agencies	4,639,143	4,639,143	-	
Municipal Obligations	3,864,757	3,297,369	-	567,388
Total	$ 13,808,865	$ 10,956,258	$ 196,501	$ 2,656,106

Fiduciary Activities:

Investment Type	Fair Value	Rating as of June 30, 2010 AAA	BBB / B	Unrated
Governmental Agencies	$ 42,498	$ 42,498	$ -	$ -
Municipal Obligations	6,181	6,181	-	-
Mutual Funds	250,789	-	-	250,789
Total	$ 299,468	$ 48,679	$ -	$ 250,789

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as are imbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables

As of June 30, 2010, the interfund receivable and payable balances were as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
Building Fund	$ -	$ 404,999
Bond Interest & Redemption Fund	404,999	-
Total	$ 404,999	$ 404,999

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from General Fund to Adult Education Fund for Direct Support	$1,233,869
Transfer from General Fund to the Building Fund for Direct Support/Indirect Costs	71,039
Transfer from Adult Education Fund to the General Fund for Indirect Costs	250,000
Transfer from Adult Education Fund to the General Fund for Tier III Flexibility Transfer	150,000
Total Transfers	$ 1,704,908

4. RECEIVABLES

Accounts receivable at June 30, 2010, consisted of the following:

	General Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total
Federal government:					
Federal programs	$ 417,789		$ -	$ 42,315	460,104
State government:					
Categorical aid	57,962		-		57,962
Lottery	403,195	-	-	-	403,195
Other	607,379	169,338	1,320	56,022	834,059
Total state	1,068,536	169,338	1,320	56,022	1,295,216
Local government:					
Miscellanous	672,810	-	-	-	672,810
Total local	672,810	-	-	-	672,810
Totals	$ 2,159,135	$ 169,338	$ 1,320	$ 98,337	$ 2,428,130

The District is the trustee, or fiduciary, for its scholarship and student activity, and the Administrative Unit for the Contra Costa Special Education Local Plan Area (SELPA). Any receivable of the SELPA is not included in the preceding schedule.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Non-depreciable assets:				
Land	$ 1,905,037	$ -	$ -	$ 1,905,037
Depreciable assets:				
Sites and improvements	29,435,801	31,759	-	29,467,560
Building and improvements	140,294,770	-	-	140,294,770
Furniture and equipment	4,045,652	361,700	-	4,407,352
Work-in-Progress	-	6,123,174	-	6,123,174
	173,776,223	6,516,633	-	180,292,856
Totals, at cost	175,681,260	6,516,633	-	182,197,893
Accumulated depreciation:				
Sites and improvements	11,655,495	1,420,772	-	13,076,267
Building and improvements	34,206,658	2,632,469	-	36,839,127
Furniture and equipment	2,837,800	242,372	-	3,080,172
	48,699,953	4,295,613	-	52,995,566
Depreciable assets, net	125,076,270	2,221,020	-	127,297,290
Capital assets, net	$ 126,981,307	$ 2,221,020	$ -	$ 129,202,327

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 2,455,455
Supervision of instruction	232,543
Instructional library and technology	115,809
School site administration	185,049
Home-to-school transportation	45,362
Food services	77,631
All other pupil services	362,020
Data processing	40,891
All other general administration	248,453
Plant services	532,400
Total	$ 4,295,613

6. LONG-TERM LIABILITIES

General Obligation Bonds

The District's General Obligation Bonds represent general obligations payable solely from *ad valorem* property taxes. The outstanding general obligation debt of the District as of June 30, 2010 was as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Date of Maturity	Original Issue	Outstanding June 30, 2010
12/29/00	4.375-5.5	08/01/14	$ 21,925,000	$ 8,945,000
10/28/02	4.25-4.50	08/01/24	21,160,000	21,160,000
04/06/04	2.00-5.00	08/01/22	26,835,000	23,215,000
05/03/04	5.00	08/01/15	6,555,000	3,725,000
01/18/05	4.5-5.25	08/01/24	46,425,000	46,425,000
11/29/05	4.0-5.25	08/01/25	20,530,000	20,530,000
Total Bond Principal				$ 124,000,000
Add Premiums				5,398,301
Less Discounts				(738,013)
Bonds Payable, net				$ 128,660,288

A liability for unmatured interest of $1,102,580 was recorded as Accounts Payable in the Other Current Liabilities section of the Statement of Net Assets.

The annual requirements to amortize the current interest bonds outstanding as of June 30, 2010, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service
2011	$ 2,920,000	$ 2,510,266	$ 5,430,266
2012	3,070,000	2,355,866	5,425,866
2013	3,250,000	2,188,291	5,438,291
2014	3,415,000	4,766,666	8,181,666
2015	4,600,000	5,115,124	9,715,124
2016-2020	30,760,000	25,745,591	56,505,591
2021-2025	73,985,000	24,840,203	98,825,203
2026-2030	2,000,000	2,052,500	4,052,500
Total	$ 124,000,000	$ 69,574,507	$ 193,574,507

B. Capital Appreciation Bonds

Date of Issue	Interest Rate %	Date of Maturity	Original Issue	Outstanding June 30, 2010
05/15/03	2.1-5.74	05/15/28	$ 43,999,951	$ 8,204,006
10/28/02	1.5-4.65	08/01/18	6,839,940	8,250,224
03/30/10	6.08-12.00	08/01/39	29,999,818	30,480,038
Total Bond Principal				$ 46,934,268
Add Premiums				841,289
Bonds Payable				$ 47,775,557

The outstanding obligation for the 2002 Series A bonds at June 30, 2010, was as follows:

Maturity Year	Principal	Acccreted Interest	Outstanding
2011	$ 1,102,441	$ 530,206	$ 1,632,647
2012	1,294,667	622,647	1,917,314
2013	1,463,127	703,653	2,166,780
2014	1,830,096	657,169	2,487,265
Totals	$ 5,690,331	$ 2,513,675	$ 8,204,006

The outstanding obligation for the 2002 refunding bonds at June 30, 2010, was as follows:

Maturity Year	Principal	Acccreted Interest	Outstanding
2011	$ 360,237	$ 275,723	$ 635,960
2012	321,448	246,035	567,483
2013	291,216	222,897	514,113
2014	272,680	208,704	481,384
2015	267,859	205,015	472,874
2016-2020	3,159,883	2,418,527	5,578,410
Totals	$ 4,673,323	$ 3,576,901	$ 8,250,224

In March 30, 2010, the District issued General Obligation Bonds 2008 Series A in the aggregate principal amount of $29,999,818 to refund its 2009 General Obligation Bond Anticipation Notes and to renovate, repair, and construct and equip certain District schools, sites, and facilities. These bonds were issued as capital appreciation bonds and convertible capital appreciation bonds. The outstanding obligation for the 2008 Series bonds at June 30, 2010, was as follows:

Maturity Year	Principal	Acccreted Interest	Outstanding
2011	$ -	$ -	$ -
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016-2020	-	-	-
2021-2025	-	-	-
2026-2030	3,838,450	51,877	3,890,327
2031-2035	9,019,429	199,508	9,218,937
2036-2040	17,141,939	228,835	17,370,774
Totals	$ 29,999,818	$ 480,220	$ 30,480,038

The annual requirements to amortize the capital appreciation bonds as of June 30, 2010, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service
2011	$ 1,462,678	$ 817,322	$ 2,280,000
2012	1,616,115	1,033,885	2,650,000
2013	1,754,343	1,275,657	3,030,000
2014	2,102,776	1,342,224	3,445,000
2015	267,859	372,141	640,000
2016-2020	3,159,883	5,895,117	9,055,000
2021-2025	-	1,933,598	1,933,598
2026-2030	3,838,450	28,867,525	32,705,975
2031-2035	9,019,429	31,081,546	40,100,975
2036-2040	17,141,939	32,011,387	49,153,326
Totals	$ 40,363,472	$ 104,630,402	$ 144,993,874

Other Postemployment Benefits (OPEB)

A. Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides postemployment healthcare, dental, and vision benefits to eligible employees up to the age of 65. To be eligible to receive these postemployment benefits, retirees must be age 55 and have completed a minimum of 10 years of continuous service to the District immediately prior to retirement. The Plan provides for the District to contribute 100 percent of the cost of health insurance premiums for retirees. The District makes a monthly contribution toward medical coverage not to exceed $532.56 for single party coverage or $1,065.12 for two-party coverage. Benefit provisions are established by the District's Governing Board. The Plan does not issue a publicly available report.

B. Funding Policy

The District's Board will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASBS 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 liabilities 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 net OPEB obligation:

Annual required contribution	$ 1,098,087
Interest on net OPEB obligation	36,490
Adjustment to annual required contribution	(27,180)
Annual OPEB Expense	1,107,397
Payments made to retirees	(841,538)
Increase in net OPEB obligation	265,859
Net OPEB obligation - beginning of year	470,840
Net OPEB obligation - end of year	$ 736,699

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 1,070,907	56.0%	$ 470,840
June 30, 2010	1,107,397	76.0%	736,699

D. Funding Status and Funding Progress

As of August 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $9,999,476, resulting in an unfunded actuarial accrued liability (UAAL) of $9,999,476.

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

E. 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.

The following table provides a summary of the methods and assumptions used:

Actuarial cost method:	Entry age normal
Interest rate assumption:	7.75%
Projected salary increase assumption:	3%
Health inflation assumption:	4%

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2010, is shown below:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds:					
Current Interest	$ 131,753,093	$ -	$ 3,092,805	$ 128,660,288	$ 2,920,000
Capital Appreciation	17,418,990	32,338,799	1,982,232	47,775,557	2,280,000
Bond Aniticipation Notes	15,268,650	-	15,268,650	-	-
OPEB Liability	470,840	1,107,397	841,538	736,699	-
Compensated Absences	329,290	2,420	-	331,710	-
	$ 165,240,863	$ 33,448,616	$ 21,185,225	$ 177,504,254	$ 5,200,000

7. RESTRICTED NET ASSETS

Restricted net assets consisted of the following as of June 30, 2010:

	Governmental Activities	Fiduciary Funds
Capital projects	$12,615,001	$ -
Debt service	7,092,034	-
Special Revenues	476,349	-
Unspent categorical program revenues	743,839	-
Scholarships	-	1,215,441
Total	$20,927,223	$ 1,215,441

8. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	Excess Expenditures
General Fund:	
Capital outlay	$ 14,438
Adult Education Fund:	
Certificated salaries	7,696
Classified salaries	7,674
Cafeteria Fund:	
Classified salaries	9,916
Contract services	5,900
County School Facilities Fund:	
Contract services	790
Building Fund:	
Contract services	444,779
Capital outlay	64,444

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

9. EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were $2,242,689, $2,360,306, and $2,300,621, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CaIPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-10 was 9.709%.

The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2010, 2009, and 2008 were $770,632, $808,999, and $791,489, respectively, and equal 100% of the required contributions for each year.

C. Social Security

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

10. JOINT VENTURES

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

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

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

Condensed financial information for the JPAs for the most recent fiscal year are available as follows:

	CCCSIG June 30, 2010	SSICCC June 30, 2010	EBSIG June 30, 2010	SELF June 30, 2009
Total Assets	$ 97,277,482	$ 6,760,285	$ 2,300,057	$ 209,217,000
Total Liabilities	$ 72,699,996	$ 1,052,869	$ 1,647,847	$ 161,555,000
Net Assets	24,577,486	5,707,416	652,210	47,662,000
Total Liabilities and Net Assets	$ 97,277,482	$ 6,760,285	$ 2,300,057	$ 209,217,000
Revenues	$ 44,125,911	$ 14,783,321	$ 4,393,093	$ 26,645,000
Expenditures	44,207,706	14,605,589	3,855,448	27,701,000
Change in Net Assets	$ (81,795)	$ 177,732	$ 537,645	$ (1,056,000)

11. COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Pending Litigation

The District is a defendant in several lawsuits arising from parent's claims. In the aggregate, these claims seek monetary damages in significant amounts. Litigation where loss to the District is reasonably possible has not been accrued; however, District's management and Counsel estimate such loss to a total of $145,000. The outcome of the remaining claims cannot be determined at this time.

12. SUBSEQUENT EVENTS

On July 1, 2010, in association with the California School Cash Reserve Program, the District issued tax and revenue anticipation notes (TRANS) in the amount of 14,826,000. The notes mature on July 1, 2011, and bear interest at 2%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

REQUIRED SUPPLEMENTARY INFORMATION

ACALANES UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Revenue limit sources:				
State apportionment	$ 1,262,151	$ 1,262,151	$ (193,982)	$ (1,456,133)
Local sources	31,474,256	31,474,256	31,700,944	226,688
Total revenue limit	32,736,407	32,736,407	31,506,962	(1,229,445)
Federal revenue	1,464,649	1,464,649	1,948,171	483,522
Other state revenues	3,105,344	3,105,344	4,798,501	1,693,157
Other local revenues	12,765,475	12,765,475	14,272,128	1,506,653
Total revenues	50,071,875	50,071,875	52,525,762	2,453,887
EXPENDITURES				
Certificated salaries	26,401,205	26,420,183	26,379,323	40,860
Classified salaries	7,446,035	7,804,110	7,768,834	35,276
Employee benefits	10,739,057	10,897,365	10,734,803	162,562
Books and supplies	1,860,948	1,532,550	1,356,243	176,307
Services and other operating expenditures	6,169,281	6,672,984	6,254,807	418,177
Capital outlay	-	44,769	59,207	(14,438)
Other outgo	250,000	6,550,366	197,669	6,352,697
Total expenditures	52,866,526	59,922,327	52,750,886	7,171,441
Excess (deficiency) of revenues over expenditures	(2,794,651)	(9,850,452)	(225,124)	9,625,328
OTHER FINANCING SOURCES (USES)				
Operating transfers in	400,000	150,000	400,000	(250,000)
Operating transfers out	(180,000)	-	(1,304,908)	1,304,908
Total other financing sources (uses)	220,000	150,000	(904,908)	(1,054,908)
Net change in fund balances	(2,574,651)	(9,700,452)	(1,130,032)	8,570,420
Fund balances, July 1, 2009	6,794,474	6,794,474	6,794,474	-
Fund balances, June 30, 2010	$ 4,219,823	$ (2,905,978)	$ 5,664,442	$ 8,570,420

ACALANES UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

JUNE 30, 2010

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
August 1, 2008	$ 9,999,476	$ -	$9,999,476	0%	$ 33,037,282	30.3%

APPENDIX B

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

July 20, 2011

Board of Trustees
Acalanes Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $37,999,105.55 Acalanes Union High School District Election of 2008 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a vote of fifty-five percent or more of the qualified electors of the Acalanes Union High School District (the "District") voting at an election held on November 4, 2008, and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

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

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on capital appreciation bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount

deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Acalanes Union High School District (the "District") in connection with the issuance of $37,999,105.55 Election of 2008 General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated June 1, 2011 (the "Resolution"). 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 S.E.C. Rule 15c2-12(b)(5).

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

"Participating Underwriter" shall mean Piper Jaffray & Co. or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the

2010-11 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may 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(f).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(A) State funding received by the District for the last completed fiscal year;

(B) Average daily attendance of the District for the last completed fiscal year;

(C) Outstanding District indebtedness;

(D) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

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 in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) 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. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

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(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute 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 may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. 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 and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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, 5(a) or 5(b), 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;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: July 20, 2011

ACALANES UNION HIGH SCHOOL DISTRICT

By ____

Associate Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: ACALANES UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: Election of 2008 General Obligation Bonds, Series B

Date of Issuance: July 20, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

ACALANES UNION HIGH SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX D

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

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

Introduction

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

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

Population

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

CITY OF LAFAYETTE, CITY OF ORINDA, THE TOWN OF MORAGA, CITY OF WALNUT CREEK AND CONTRA COSTA COUNTY
Population 2000-2011 with 2010 Benchmark

Year[1]	City of Lafayette	Town of Moraga	City of Orinda	City of Walnut Creek	Contra Costa County
2000	23,908	16,290	17,599	64,296	948,816
2001	24,136	16,460	17,774	65,555	966,095
2002	24,376	16,486	17,807	65,789	981,614
2003	24,339	16,475	17,784	65,830	993,766
2004	24,297	16,442	17,757	66,137	1,005,678
2005	24,148	16,334	17,671	66,047	1,016,407
2006	23,887	16,153	17,470	65,293	1,025,509
2007	23,836	16,094	17,428	65,070	1,035,322
2008	23,948	16,128	17,529	65,266	1,048,242
2009	24,087	16,204	17,669	65,860	1,060,435
2010	23,872	16,010	17,633	64,140	1,073,055
2011	24,025	16,076	17,712	64,707	1,056,064

Source: California State Department of Finance.
[1] Dated January 1

Income

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

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

CITY OF WALNUT CREEK AND CONTRA COSTA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income
2000-2009

Year Ending	Contra Costa County	State of California	United States of America
2000	$53,234	$39,977	$37,233
2001	60,189	44,464	39,129
2002	56,507	43,532	38,365
2003	54,448	42,484	38,035
2004	54,862	42,924	38,201
2005	56,165	43,915	39,324
2006	58,497	46,275	41,255
2007	61,123	48,203	41,792
2008	61,903	48,952	42,303
2009	64,213	49,736	43,252

Source: "Survey of Buying Power", Sales & Marketing Management Magazine; Demographics USA, 2007, 2008, 2009 and 2010 editions.

Commercial Activity

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

CITY OF LAFAYETTE, WALNUT CREEK AND CONTRA COSTA COUNTY
Total Taxable Transactions
(Dollars in Thousands)
2000-2009

	City of Lafayette		City of Walnut Creek		Contra Costa County	
Year	Outlets	Taxable Transactions	Outlets	Taxable Transactions	Outlets	Taxable Transactions
2000	1,015	209,801	2,481	1,671,753	22,674	12,330,560
2001	1,003	205,840	2,488	1,649,962	22,609	12,256,721
2002	1,014	201,933	2,534	1,639,917	22,541	12,159,424
2003	1,064	208,432	2,625	1,670,891	23,253	12,223,295
2004	1,068	214,819	2,643	1,730,075	23,571	12,990,538
2005	1,019	225,474	2,516	1,803,610	23,692	13,480,075
2006	983	237,533	2,433	1,835,630	23,249	13,867,661
2007	975	233,150	2,383	1,797,050	23,181	14,086,295
2008	975	229,353	2,407	1,619,604	23,149	13,307,681
2009	568	161,271	2,250	1,467,152	21,395	11,883,049

Source: State Board of Equalization.

The following table summarizes historical taxable transactions in the City of Orinda and the Town of Moraga.

CITY OF ORINDA AND TOWN OF MORAGA
Total Taxable Transactions
(Dollars in Thousands)
2000-2009

	City of Orinda		Town of Moraga	
Year	Outlets	Taxable Transactions	Outlets	Taxable Transactions
2000	655	76,637	427	69,512
2001	632	77,705	434	70,624
2002	619	73,798	424	66,951
2003	611	72,879	427	68,212
2004	615	77,032	418	69,525
2005	622	83,549	422	74,990
2006	602	85,245	413	76,645
2007	580	88,568	400	81,538
2008	548	96,626	381	78,865
2009	336	66,761	231	69,248

Source: State Board of Equalization.

Major Employers

The District is located in the County of Contra Costa. The following table provides a listing of the top twenty-five largest employers headquartered or located in the county, listed by number of employees.

CONTRA COSTA COUNTY
Major Employers
2010

Rank	Employer Name	Industry	Number of Employees
1.	AT&T Corp.	Telecommunications Resellers	8,570
2.	Summerville Management LLC	Nursing Care Facilities	4,000
3.	Pacpizza LLC	Limited-Service Restaurants	3,620
4.	AT&T Services, Inc.	Telecommunications Resellers	3,500
5.	John Muir Health	General Medical & Surgical Hospitals	3,100
6.	Safeway, Inc.	Supermarkets & Other Grocery Stores	2,529
7.	West Contra Costa Unified School District	Elementary & Secondary Schools	2,452
8.	Convenience Retailers LLC	Convenience Stores	2,000
9.	Kaiser Foundation Hospitals	General Medical & Surgical Hospitals	2,000
10.	Diablo Valley College Foundation	All Other Support Services	2,000
11.	United States Postal Service	Postal Service	1,803
12.	County of Contra Costa	County Government	1,700
13.	John Muir Physician Network	General Medical & Surgical Hospitals	1,601
14.	California State Automobile Association	Direct Property & Casualty Insurance Carriers	1,600
15.	Cellco Partnership	Telecommunications Resellers	1,500
16.	John Muir Physician Network	General Medical & Surgical Hospitals	1,500
17.	San Ramon Valley Unified School District	Elementary & Secondary Schools	1,365
18.	Mt. Diablo Unified School District	Elementary & Secondary Schools	1,359
19.	California Department of Health	Administration of Public Health Services	1,355
20.	Chevron Corp.	Petroleum Refineries	1,329
21.	Target Corp.	Discount Department Stores	1,262
22.	Wal-Mart Stores, Inc.	Discount Department Stores	1,150
23.	Contra Costa Newspapers Inc.	Newspaper Publishers	1,140
24.	County of Contra Costa	County Government	1,100
25.	Antioch Unified School District	Elementary & Secondary Schools	1,089

Source: Harris InfoSource Book of Lists, 2010.

Industry and Employment

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

CONTRA COSTA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages
2005-2010

	2005	2006	2007	2008	2009	2010
Civilian Labor Force						
Employed	490,200	496,700	501,200	496,400	475,800	463,500
Unemployed	25,200	22,300	24,900	32,700	56,100	58,700
Total	515,400	519,000	526,200	529,200	531,900	522,200
Unemployment Rate(1)	4.9%	4.3%	4.7%	6.2%	10.5%	11.2%

(1) The unemployment rate is calculated using unrounded data.
Source: California Employment Development Department, Labor Market Information Division, March 2010 Benchmark.

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

CONTRA COSTA COUNTY
Estimated Number of Wage and Salary Workers by Industry*
(Amounts in Thousands)
2005-2009

Type of Employment	2005	2006	2007	2008	2009
Farm	800	700	700	700	800
Goods Producing	50,200	50,400	49,700	46,600	40,200
Manufacturing	19,800	20,200	20,600	20,800	19,000
Wholesale Trade	8,800	9,100	9,100	8,700	7,700
Retail Trade	44,000	44,000	44,000	43,900	41,300
Transportation, Warehousing & Utilities	7,600	8,400	8,800	8,800	8,400
Information	13,500	13,400	13,000	11,900	10,400
Financial Activities	33,900	32,100	29,100	26,300	25,60
Professional and Business Services	46,700	50,600	49,400	49,400	45,400
Education and Health Services	40,800	42,700	44,600	45,700	46,200
Leisure and Hospitality	31,500	32,400	33,200	32,900	31,500
Other Services	12,300	12,200	12,600	13,800	11,700
Government	50,200	48,900	52,200	51,600	51,800
Total	340,300	344,500	346,900	340,400	320,900

* Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. March 2008 benchmark.
Source: California Employment Development Department, Labor Market Information Division.

Construction Activity

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

CONTRA COSTA COUNTY
Building Permit Valuation
(Dollars in Thousands)
2000-2010

Year Ending	Residential Units	Residential Valuation	Non-Residential Valuation	Total Valuation
2000	5,639	$1,224,484	$480,270	$1,704,754
2001	5,136	1,170,610	524,975	1,695,585
2002	5,805	1,492,961	375,162	1,868,123
2003	6,894	1,684,035	412,119	2,096,154
2004	4,789	1,483,705	303,473	1,787,178
2005	6,312	1,925,421	392,869	2,318,290
2006	4,488	1,451,818	412,500	1,864,318
2007	3,607	1,216,665	491,314	1,707,979
2008	1,894	659,796	459,403	1,119,200
2009	1,201	504,632	314,301	818,934
2010	1,699	553,057	285,417	838,475

Source: Construction Industry Research Board.

APPENDIX E

TABLE OF ACCRETED VALUE

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BOND ACCRETED VALUE TABLE
Acalanes Union High School District
Election of 2008 General Obligation Bonds

Date	2028 Convertible CAB (2024 Convert) 5.65%	2032 Convertible CAB (2024 Convert) 6%	2039 Convertible CAB (2024 Convert, 2029 call) 6.55%	Term CABS (Call 2021 @ 100%) 7.3%
7/20/2011	2,419.15	2,314.25	2,158.90	405.65
8/1/2011	2,423.25	2,318.45	2,163.15	406.55
2/1/2012	2,491.70	2,388.00	2,234.00	421.35
8/1/2012	2,562.10	2,459.65	2,307.15	436.75
2/1/2013	2,634.50	2,533.45	2,382.75	452.70
8/1/2013	2,708.90	2,609.45	2,460.75	469.20
2/1/2014	2,785.45	2,687.70	2,541.35	486.35
8/1/2014	2,864.10	2,768.35	2,624.60	504.10
2/1/2015	2,945.05	2,851.40	2,710.55	522.50
8/1/2015	3,028.25	2,936.95	2,799.30	541.55
2/1/2016	3,113.80	3,025.05	2,891.00	561.35
8/1/2016	3,201.75	3,115.80	2,985.70	581.85
2/1/2017	3,292.20	3,209.30	3,083.45	603.05
8/1/2017	3,385.20	3,305.55	3,184.45	625.10
2/1/2018	3,480.85	3,404.75	3,288.75	647.90
8/1/2018	3,579.15	3,506.85	3,396.45	671.55
2/1/2019	3,680.30	3,612.10	3,507.70	696.05
8/1/2019	3,784.25	3,720.45	3,622.55	721.45
2/1/2020	3,891.15	3,832.05	3,741.20	747.80
8/1/2020	4,001.10	3,947.00	3,863.70	775.10
2/1/2021	4,114.10	4,065.45	3,990.25	803.40
8/1/2021	4,230.35	4,187.40	4,120.95	832.70
2/1/2022	4,349.85	4,313.00	4,255.90	863.10
8/1/2022	4,472.75	4,442.40	4,395.30	894.60
2/1/2023	4,599.10	4,575.70	4,539.25	927.25
8/1/2023	4,729.00	4,712.95	4,687.90	961.10
2/1/2024	4,862.60	4,854.35	4,841.40	996.20
8/1/2024	5,000.00	5,000.00	5,000.00	1,032.55
2/1/2025				1,070.25
8/1/2025				1,109.30
2/1/2026				1,149.80
8/1/2026				1,191.75
2/1/2027				1,235.25
8/1/2027				1,280.35
2/1/2028				1,327.10
8/1/2028				1,375.50
2/1/2029				1,425.75
8/1/2029				1,477.75
2/1/2030				1,531.70
8/1/2030				1,587.60
2/1/2031				1,645.55
8/1/2031				1,705.65
2/1/2032				1,767.90
8/1/2032				1,832.40
2/1/2033				1,899.30
8/1/2033				1,968.60
2/1/2034				2,040.50

BOND ACCRETED VALUE TABLE
Acalanes Union High School District
Election of 2008 General Obligation Bonds

Date	2028 Convertible CAB (2024 Convert) 5.65%	2032 Convertible CAB (2024 Convert) 6%	2039 Convertible CAB (2024 Convert, 2029 call) 6.55%	Term CABS (Call 2021 @ 100%) 7.3%
8/1/2034				2,114.95
2/1/2035				2,192.15
8/1/2035				2,272.15
2/1/2036				2,355.10
8/1/2036				2,441.05
2/1/2037				2,530.15
8/1/2037				2,622.50
2/1/2038				2,718.25
8/1/2038				2,817.45
2/1/2039				2,920.30
8/1/2039				3,026.90
2/1/2040				3,137.35
8/1/2040				3,251.90
2/1/2041				3,370.60
8/1/2041				3,493.60
2/1/2042				3,621.10
8/1/2042				3,753.30
2/1/2043				3,890.30
8/1/2043				4,032.30
2/1/2044				4,179.45
8/1/2044				4,332.00
2/1/2045				4,490.15
8/1/2045				4,654.05
2/1/2046				4,823.90
8/1/2046				5,000.00