12-0464

NEW ISSUE—FULL BOOK-ENTRY

RATING:
S&P: "AA"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the District with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, and the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$7,875,000
MORAGA SCHOOL DISTRICT
(Contra Costa County, California),
2012 General Obligation Refunding Bonds
[BANK QUALIFIED]

Dated: Date of Delivery **Due: May 15, as shown below**

The $7,875,000 Moraga School District (Contra Costa County, California), 2012 General Obligation Refunding Bonds (the "Bonds"), are being issued pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and a resolution of the Governing Board of the Moraga School District (the "District").

The Bonds are being issued to (a) refund, on a current basis, the Moraga Elementary School District (Contra Costa County, California), 2002 General Obligation Refunding Bonds, and (b) pay for costs of issuance of the Bonds. The 2002 Bonds were issued to refund certain bonds issued in 1996 to finance educational facilities.

The Bonds constitute general obligations of the District. The Board of Supervisors of Contra Costa County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on May 15 and November 15 of each year, commencing November 15, 2012. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by The Bank of New York Mellon trust Company, N.A., as paying agent (the "Paying Agent"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are not subject to redemption prior to maturity.

MATURITY SCHEDULE

CUSIP† Prefix: 616429

Maturity (May 15)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2013	$725,000	5.00%	0.20%	EM4
2014	750,000	1.00	0.35	EN2
2015	765,000	5.00	0.55	EP7
2016	860,000	5.00	0.68	EQ5
2017	945,000	4.00	0.89	ER3
2018	945,000	4.00	1.07	ES1
2019	980,000	2.00	1.25	ET9
2020	960,000	2.00	1.54	EU6
2021	945,000	2.00	1.75	EV4

The Bonds were sold pursuant to competitive bidding on May 15, 2012, to Stifel Nicolaus & Co., Incorporated, at a true interest cost of 1.211756%.

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

KNN public finance

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California. Certain legal matters also will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be delivered through the facilities of DTC on or about June 15, 2012.

May 15, 2012

MORAGA SCHOOL DISTRICT
1540 School Street
Moraga, California 94556
(925) 376-5943 Phone | (925) 376-8132 Fax
http://www.moraga.k12.ca.us/

MORAGA SCHOOL DISTRICT

GOVERNING BOARD

Dexter Louie, *President*
Charles MacNulty, *Vice-President*
Dennis Kelleher, *Member*
Kym Leserman, *Member*
Kathy Ranstrom, *Member*

DISTRICT ADMINISTRATION

Bruce K. Burns, *Superintendent*
Kathryn E. Bell, *Chief Business Official*
Sharon Pincus, *Director of Pupil Services*
Courtney Guinn, *Director of Educational Services/Instructional Technology*
Tony Randazzo, *Director of Building/Grounds*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL
Quint & Thimmig LLP
San Francisco, California

FINANCIAL ADVISOR
KNN Public Finance,
a Division of Zions First National Bank
Oakland, California

PAYING AGENT, TRANSFER AGENT and
AUTHENTICATION AGENT
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Use of Official Statement. 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. This Official Statement is not a contract between any bond owner and the District or the Underwriter named on the cover page of this Official Statement.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may 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.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. 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, 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.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

District Website. The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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$7,875,000
MORAGA SCHOOL DISTRICT
(Contra Costa County, California)
2012 General Obligation Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Moraga School District (Contra Costa County, California) 2012 General Obligation Bonds, in the principal amount of $7,875,000 (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 and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Moraga School District (the "District") was established as an elementary school district in Moraga, California and operates three elementary schools and one intermediate school, serving the Town of Moraga, California.

The District is governed by a five-member governing board (the "Board"), 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 personnel. Bruce K. Burns is the District Superintendent.

The District's average daily attendance for fiscal year 2010-11 was 1,710.28 and its projected average daily attendance for fiscal year 2011-12 is 1,743. The District has a 2011-12 total assessed valuation of $3,023,541,031. See "THE DISTRICT."

Security for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by Contra Costa County (the "County"). The Board of Supervisors of the County is empowered and are obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "THE BONDS—Security."

Authority for Issuance; Purpose of Issues

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code. The Bonds are authorized to be issued pursuant to a resolution (the "Resolution"), adopted by the Board on April 10, 2012.

The Bonds are being issued to (a) refund the District's Moraga School District 2002 General Obligation Refunding Bonds, dated October 22, 2002, in the principal amount of

$12,815,000, of which $9,020,000 principal amount is currently outstanding (the "2002 Bonds"), and (b) pay for costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS—Bonds" and "PLAN OF FINANCING—Bonds."

Description of the Bonds

The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each May 15 and November 15 (each an "Interest Payment Date"), commencing November 15, 2012.

The Bonds will be 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") in the denominations set forth on the cover page hereof, under the book-entry 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" and APPENDIX D—BOOK-ENTRY 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 Bond Resolution described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds."

The Bonds are not subject to redemption prior to maturity.

Tax Exemption

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the District with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, and the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery in New York, New York on or about June 15, 2012.

Continuing Disclosure

The District will covenant for the benefit of the 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, if material, 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 material events is summarized below under "CONTINUING DISCLOSURE." See APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The District has never failed to comply in all material respects with any previous continuing disclosure undertakings to provide annual reports or notices of material events.

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 for inspection at the office of the Superintendent, Moraga School District, 1540 School Street, Moraga, CA 94556, (925) 376-5943. The District may impose a charge for copying, mailing and handling.

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.

The information set forth herein 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.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and the Resolution.

The District has authorized and issued certain other general obligation bonds. See "THE DISTRICT FINANCIAL INFORMATION—District Debt—General Obligation Bonds."

Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected pursuant to the Authorization. The Board of Supervisors of the County are empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Moraga School District General Obligation Bond Debt Service Fund (the "Debt Service Fund"), which will be held and maintained by the County Treasurer-Tax Collector and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Treasurer-Tax Collector will maintain the Debt Service Fund, the Bonds are a debt of the District, not the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County, through the Treasurer-Tax Collector, to the Paying Agent (as defined herein) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* tax 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 rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF BONDS."

Description of the Bonds

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 for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX D—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on May 15 and November 15 of each year (each, an "Interest Payment Date"), commencing November 15, 2012. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before August 15, 2012, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent. See also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and "DEBT SERVICE SCHEDULE—Bonds."

Paying Agent

The Bank of New York Mellon Trust Company, N.A., San Francisco, California, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter (as defined herein) have no 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.

Payment

Payment of interest on any Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Paying Agent as the owner thereof as of the close of business on the 15th day of the month immediately preceding such Interest Payment Date (the "Record Date"), such interest to be paid by check mailed to such owner on the Interest Payment Date at his or her address as it appears on such registration books or at such other address as he or she may have filed with the Paying Agent for that purpose on or before the Record Date. The owner in an aggregate principal amount or maturity value of $1,000,000 or more may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

The principal, and redemption price, if any, payable on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute obligations of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

No Redemption

The Bonds are non-callable.

Transfer and Exchange of Bonds; Registration

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Resolutions, 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 Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, 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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX D—BOOK-ENTRY SYSTEM.

Events of Default and Remedies

The following events ("events of default") shall be events of default under the Resolutions:

(a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in the Resolutions or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

(d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Resolutions and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights; or

(c) upon the happening of any event of default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

No remedy herein conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bondowners.

Defeasance

Discharge of Resolutions. Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolutions), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolutions and other assets made under the Resolutions and all covenants, agreements and other obligations of the District under the Resolutions shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolutions. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolutions which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of the Resolutions shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the Resolutions it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolutions and shall be:

> (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
>
> (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolutions or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolutions. Notwithstanding any provisions of the Resolutions, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed after the payment is due (whether at maturity or upon call for redemption as provided in the Resolutions), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the District free from the trusts created by the Resolutions, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

PLAN OF FINANCING

The Bonds are being issued to (a) refund the 2002 Bonds, and (b) pay for costs of issuance of the Bonds.

A portion of the net proceeds of the Bonds will be used to refund, on a current basis, the 2002 Bonds. At closing, such net proceeds will be deposited with the payment agent for the 2002 Bonds and applied on such date to the redemption of all outstanding 2002 Bonds at a redemption price equal to 101% of the principal amount of the 2002 Bonds plus accrued interest to such date.

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account and used to pay costs associated with the issuance of the Bonds. Any proceeds of sale of the Bonds not needed to redeem the 2002 Bonds or to pay costs of issuance of the Bonds will be transferred to the County Treasurer-Tax Collector for deposit in the Debt Service Fund and applied to pay debt service on the Bonds. Amounts held by the County Treasurer-Tax Collector will be invested on behalf of the District by the pursuant to law and the investment policy of the County. See "CONTRA COSTA COUNTY INVESTMENT POOL."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Bonds are as follows:

Sources of Funds:	
Principal Amount of Bonds	$7,875,000.00
Less: Underwriter's Discount	(13,787.00)
Plus: Original Issue Premium	682,997.95
Total Sources of Funds	$8,544,210.95
Uses of Funds:	
Refunding of 2002 Bonds	$8,431,514.69
Deposit to Costs of Issuance Fund (1)	112,696.26
Total Uses of Funds	$8,544,210.95

(1) Includes Bond Counsel fees, Disclosure Counsel fees, Financial Advisor's fees, printing costs, rating agency fees and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds.

Interest Payment Date	Principal Amount	Interest Amount	Semi-Annual Debt Service	Total Annual Debt Service
11/15/2012	—	$ 107,625.00	$ 107,625.00	—
5/15/2013	$ 725,000	129,150.00	854,150.00	$961,775.00
11/15/2013	—	111,025.00	111,025.00	—
5/15/2014	750,000	111,025.00	861,025.00	972,050.00
11/15/2014	—	107,275.00	107,275.00	—
5/15/2015	765,000	107,275.00	872,275.00	979,550.00
11/15/2015	—	88,150.00	88,150.00	—
5/15/2016	860,000	88,150.00	948,150.00	1,036,300.00
11/15/2016	—	66,650.00	66,650.00	—
5/15/2017	945,000	66,650.00	1,011,650.00	1,078,300.00
11/15/2017	—	47,750.00	47,750.00	—
5/15/2018	945,000	47,750.00	992,750.00	1,040,500.00
11/15/2018	—	28,850.00	28,850.00	—
5/15/2019	980,000	28,850.00	1,008,850.00	1,037,700.00
11/15/2019	—	19,050.00	19,050.00	—
5/15/2020	960,000	19,050.00	979,050.00	998,100.00
11/15/2020	—	9,450.00	9,450.00	—
5/15/2021	945,000	9,450.00	954,450.00	963,900.00
Totals	$7,875,000	$1,193,175.00	$9,068,175.00	$9,068,175.00

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 County Treasurer. The County Treasurer accepts funds only from agencies located within the County for investment in the County Investment Pool. As of December 31, 2011, the cost value of the County Investment Pool was $2,051,216,430 and the fair value was $2,052,673,587, which was 100.07% of cost.

The following table summarizes the composition of the Pool as of December 31, 2011.

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

Type of Investment	Cost Value	Fair Value	Percent of Total (Cost Value)
U.S. Treasuries (STRIPS, Bills, Notes)	$ 13,127,835.76	$13,249,418.10	0.64%
U.S. Agencies (Federal, State, Local)	274,926,441.03	276,004,696.78	13.40
Money Market Instruments	1,134,330,348.22	1,134,888,741.23	55.30
Local Agency Investment Fund	419,695,254.19	419,695,254.19	20.46
Other	147,904,629.03	147,603,555.53	7.21
Cash	61,231,921.65	61,231,921.65	2.99
TOTAL	$2,051,216,429.88	$2,052,673,587.48	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 $1.38 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 principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security.") Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98, 111, 218 and 39, 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 and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County 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 of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment 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 is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2010-11, the District received $195,271 in State Lottery aid and has budgeted $198,891 for such aid in 2011-12. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in Rossi v. Brown by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26 and 98 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 the District's revenues or their ability to expend revenues.

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 rolls as special district property taxes. Assessed valuations are the same for the taxing purposes of both the District and the County.

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.

Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and 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.

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools 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 County Assessor of the County, 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. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are 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.

The table below shows the assessed valuation in the District for fiscal years 2007-08 to 2011-12.

Historic Assessed Valuations
Fiscal Years 2008-2012

Fiscal Year	Local Secured	Utility	Unsecured	Total
2007-08	$2,884,386,768	$ 56,814	$22,450,287	$2,906,893,869
2008-09	2,986,329,641	0	21,596,062	3,007,925,703
2009-10	3,037,161,306	0	24,271,206	3,061,432,512
2010-11	2,982,571,492	0	24,910,526	3,007,482,018
2011-12	2,997,372,626	202,420	25,965,985	3,023,541,031

Source: California Municipal Statistics, Inc.

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

Assessed Valuation and Parcels by Land Use
Fiscal Year 2011-12

	2011-12 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Rural	$ 38,629,437	1.29%	72	1.21%
Commercial	93,284,807	3.11	75	1.26
Vacant Commercial	4,913,858	0.16	16	0.27
Industrial	7,954,210	0.27	2	0.03
Recreational	6,086,489	0.20	9	0.15
Government/Social/Institutional	20,290,298	0.68	102	1.72
Miscellaneous	892,849	0.03	140	2.36
Subtotal Non-Residential	$172,051,948	5.74%	416	7.01%
Residential:				
Single Family Residence	$2,353,865,382	78.53%	4,087	68.86%
Condominium/Townhouse	405,315,534	13.52	1,315	22.16
2-4 Residential Units	13,287,289	0.44	22	0.37
5+ Residential Units/Apartments	40,880,234	1.36	28	0.47
Vacant Residential	11,972,239	0.40	67	1.13
Subtotal Residential	$2,825,320,678	94.26%	5,519	92.99%
Total	$2,997,372,626	100.00%	5,935	100.00%

Source: California Municipal Statistics, Inc.
[1] Local Secured Assessed Valuation; excluding tax-exempt property.

Largest Taxpayers in District. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2011-12 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2011-12, no single taxpayer owned more than 3.43% of the total taxable property in the District. Each taxpayer listed is a unique entity. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

Largest 2011-12 Local Secured Taxpayers

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total [1]
1.	PK I Rheem Valley LP	Shopping Center	$ 33,019,565	1.10%
2.	Russell J. Bruzzone Inc.	Shopping Center	20,491,957	0.68
3.	Oakmont of Moraga LLC	Assisted Living Facility	10,093,882	0.34
4.	Bigbury Company NV	Undeveloped	7,537,761	0.25
5.	GKHB Royale Investments LP	Assisted Living Facility	7,350,996	0.25
6.	George Gage	Apartments	7,350,000	0.25
7.	Angelos Markets	Shopping Center	5,783,000	0.19
8.	KN Productions Inc.	Mini Warehouse	4,852,556	0.16
9.	Moraga Builders Corp.	Residential Properties	4,794,614	0.16
10.	Raymond L. and Margaret E. DeGennaro	Residential Properties	4,620,673	0.15
11.	Debra Jean DeMello	Apartments	3,816,984	0.13
12.	Mahesh K. and Minoo Puri	Movie Theater	3,785,221	0.13
13.	Vanguard Apartments LLC	Apartments	3,629,022	0.12
14.	Joel E. and Georgina Peterson	Residential Properties	3,496,318	0.12
15.	Deborah S. Gage	Apartments	3,427,190	0.11
16.	CT Operating Partnership LP	Shopping Center	3,385,453	0.11
17.	James O. and Lynne Collins	Residential Properties	3,319,847	0.11
18.	Michael G. Vrionis	Apartments	3,240,000	0.11
19.	Giora Beeri	Residential Properties	3,207,789	0.11
20.	AAAAA Rent-a-Space & Moraga Ltd.	Mini Warehouse	3,203,348	0.11
			$140,406,176	4.68%

Source: California Municipal Statistics, Inc.
[1] 2011-2 Local Secured Assessed Valuation: $2,997,372,626.

Tax Rates

The table below summarizes the typical tax rates levied by within the District during the past five fiscal years.

Typical Tax Rate per $100 Assessed Valuation
(TRA 15-004 – 2011-12 Assessed Valuation: $1,487,218,528)

	2007-08	2008-09	2009-10	2010-11	2011-12
Countywide	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	.0076	.0090	.0057	.0031	.0041
East Bay Regional Park District	.0080	.0100	.0108	.0084	.0071
Acalanes Union High School District	.0259	.0289	.0298	.0311	.0333
Moraga Elementary School District	.0313	.0309	.0302	.0311	.0312
Contra Costa Community College District	.0108	.0066	.0126	.0133	.0144
Total Tax Rate	1.0836%	1.0854%	1.0891%	1.0870%	1.0901%

Source: California Municipal Statistics, Inc.

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. In most cases, the 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. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies and Delinquencies

The recent history of real property tax collections and delinquencies in the District is shown in the following tables.

Secured Tax Charges and Delinquencies
1% General Fund Apportionment

Fiscal Year	Secured Tax Charge	Amt. Del. June 30	% Del. June 30
2006-07	$5,177,309.17	$175,955.78	3.40%
2007-08	5,519,495.16	264,505.32	4.79
2008-09	5,692,436.44	227,412.42	3.99
2009-10	5,778,166.84	154,661.87	2.68
2010-11	5,715,247.62	98,151.09	1.72

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies
Bond Debt Service Levy

Fiscal Year	Secured Tax Charge	Amt. Del. June 30	% Del. June 30
2006-07	$880,671.71	$6,979.71	0.79%
2007-08	891,105.68	12,554.30	1.41%
2008-09	912,617.26	16,816.20	1.84%
2009-10	907,600.12	13,555.16	1.49%
2010-11	916,120.16	8,377.44	0.91%

Source: California Municipal Statistics, Inc.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied on the secured tax roll, but not on the unsecured tax roll, for repayment of school district bonds.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured roll in that agency. The Board of Supervisors has never elected to exercise this right.

THE DISTRICT

General Information

The District was established as an elementary school district in 1927. The District is located entirely in the City of Moraga. The District operates three elementary schools (K-5), one middle school (6-8), and serves a population of approximately 16,076. Students graduating from the District attend high school in the Acalanes Union High School District. The District employs 102 teachers.

Administration

The District's Board is comprised of five elected school board members who develop and set policies for the District, which are then implemented by a Board-appointed Superintendent and the administrative team. School Board members are elected for a four-year term of office. Current members of the Board, together with their office and the date their current term expires, are listed below:

Board Member	Office	Current Term Expires (December)
Dexter Louie	*President*	2012
Charles MacNulty	*Vice-President*	2014
Dennis Kelleher	*Member*	2012
Kym Leserman	*Member*	2014
Kathy Ranstrom	*Member*	2014

The administrative staff of the District includes Bruce K. Burns, Superintendent, and Kathryn E. Bell, Chief Business Official.

Recent Enrollment Trends

The following table shows a 10-year enrollment history for the District, based on the October CBEDS count in each school year.

Moraga School District
Annual Enrollment
Fiscal Years 2002-03 through 2011-12

Year	Enrollment	Annual Change	Annual % Change
2002-03	1,829	-60	-3.28%
2003-04	1,856	27	1.45
2004-05	1,772	-84	-4.74
2005-06	1,785	13	.73
2006-07	1,743	-42	-2.41
2007-08	1,728	-15	-.87
2008-09	1,730	2	.12
2009-10	1,722	-8	-.46
2010-11	1,751	29	1.66
2011-12 [1]	1,773	22	1.24

Source: Moraga School District, based on October CBEDS enrollment. California Department of Education.
[1] Projected

Employee Relations

The District employs 98.2 full-time equivalent certificated and 69.3 full-time equivalent classified employees. There are 2 formal bargaining organizations that are active in the District.

Moraga School District
Labor Relations

Labor Organization	Contract Expiration Date
Moraga Teachers Association	June 30, 2012
California Service Employees Association-Moraga Chapter 403	June 30, 2012

Source: The District.

District Employee Retirement Systems

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

California State Teachers' Retirement System (CalSTRS) Plan Description. The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal year ending June 30, 2011, 2010, and 2009, were $597,851, $591,799, and $604,362, respectively, and equal 100% of the required contributions for each year.

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

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 2010-11 was 10.707%. 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, 2011, 2010, and 2009, were $263,410, $254,082, and $243,698, respectively, and equal 100% of the required contributions for each year.

Social Security. As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, the employees were required to contribute 6.2% of their gross earnings from July 2010 through December 2010 and 4.2% from January 2011 through June 2011.

Other Post-Employment Benefits

Plan Descriptions. The District provides coverage to classified employees who retire from active status at a minimum age of 50 with at least 10 years of service and are eligible for pension benefits from the California Public Employees' Retirement System (CalPERS). The District and retirees share in the cost of benefits as follows:

The District subsidizes medical, dental and vision benefits up to $200 per month, for the retiree's chosen plans for 36 months after retirement or until the retiree reaches age 65, whichever comes first. The retiree is responsible for self-paying excess premiums while covered and for self-paying 100% of all premiums for spouses or dependents of any age.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by labor agreements.

The District had forty-three active employees and no retired employees as of April 1, 2008, the effective date of the triennial OPEB valuation.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy. The District currently pays for post employment healthcare benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of $20,969 for the year ended June 30, 2011.

Normal cost with interest to end of year	$ 3,148
Amortization of UAAL with interest to end of year	4,019
Annual required contribution (ARC)	7,167
Interest on Net OPEB Obligation	686
Adjustment to ARC	(608)
Annual OPEB cost (expense)	7,245
Contributions for the fiscal year	(0)
Increase in Net OPEB Obligation	7,245
Net OPEB Obligation - June 30, 2010	13,724
Net OPEB Obligation- June 30, 2011	$20,969

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	$7,245	0%	$20,969
June 30, 2010	$6,855	0%	13,724
June 30, 2009	$6,869	0%	6,869

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2008, actuarial valuation, the liabilities were computed using the entry age normal method and level dollar amortization over 30 years. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3% was provided by the District and based on historical data. The valuation assumes a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin.

Insurance (Risk Management)

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010-11, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation and health Insurance; the Contra Costa and Solano Counties School District's Self-Insurance Authority for Property and Liability Insurance, and the Schools Self-insurance of Contra Costa County (SSICCC) for dental and vision coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

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

DISTRICT FINANCIAL INFORMATION

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 principal 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 levied for the payment thereof by the County. See "THE BONDS—Security."

General

The District has historically employed conservative budgeting practices that have maintained strong and steady general fund balances. In addition, the District has maintained significant reserves in its special reserve fund, a large part of which is funded from one-time settlement monies received from the Federal government in fiscal year 2005-06 and is freely available to the general fund. The District receives additional operating revenues from lease revenues, which generate over $4.3 million annually. The District voters passed a parcel tax in March 2004, which generates approximately $1.830 million in revenues annually for the District.

District Budget

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 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of 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 September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be 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 two fiscal years. 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 meets 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 two fiscal years. 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's First Interim Report for Fiscal Year 2011-12 was certified as "positive," the District's Second Interim Report for Fiscal Year 2011-12 was certified as "positive" and the District's 2011-12 budget has been approved by the County Superintendent. The following table shows the comparison of the District's budgeted figures for 2011-12 as well as the projections for 2011-12 based on the Second Interim Report.

2011-12 Adopted Budget and Year-End Projections from Second Interim Report

	Approved 2011-12 Budget	2011-12 Second Interim Budget
Revenues		
Revenue Limit Sources	$ 8,732,783	$ 8,732,783
Federal Revenues	637,420	637,420
Other State Revenue	1,617,669	1,617,669
Other Local Revenue	4,648,820	4,648,820
Total Revenues	15,636,692	15,636,692
Expenditures		
Certificated Salaries	7,273,971	7,273,971
Classified Salaries	2,820,343	2,820,343
Employee Benefits	3,421,195	3,421,195
Books and Supplies	655,624	655,624
Services and Other Operating Expenditures	1,648,588	1,648,588
Capital Outlay	129,683	129,683
Other Outgo (excluding Transfers of Indirect Costs)	229,564	229,564
Other Outgo (Transfers of Indirect Costs)	(35,591)	(35,591)
Total Expenditures	16,143,377	16,143,377
Excess (Deficiency) of Revenues and Other Expenditures Before Other Financing Sources and Uses	(506,685)	(506,685)
Other Financing Sources/(Uses)		
Transfers In	536,753	536,753
Transfers Out	10,980	10,980
Net Other Financing Sources	525,773	525,773
Net Increase (Decrease) in Fund Balance	19,088	19,088
Beginning Fund Balance	3,602,261	3,602,261
Ending Fund Balance	3,621,349	3,621,349

Source Second Interim Report.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with 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.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations).

Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the General Fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

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, 2011, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 1540 School Street, Moraga, CA 94556, (925) 376-5943. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. The District's audited financial statements for the year ended June 30, 2011, are included in APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2011.

General Fund Revenues, Expenditures and changes in Net Assets
Audited Actuals for Fiscal Years 2008-09 to 2010-11

	2008-09	2009-10	2010-11
Program Revenues			
Charges for Services	$ 887,735	$ 789,246	$ 819,113
Operating Grants & Contributions	1,636,395	1,557,490	1,087,067
General Revenues			
Taxes levied	9,082,068	9,070,232	9,132,636
Federal & State Aid	4,422,264	3,248,210	3,851,438
Investments & Investment Earnings	76,577	24,546	27,229
Transfers from Other Agencies	403,545	284,115	230,121
Miscellaneous	1,748,106	1,664,804	2,076,200
Total Revenues	18,256,690	16,638,643	17,223,804
Expenses			
Instruction	10,574,024	10,243,689	10,324,229
Instruction-Related Services	2,019,109	1,998,762	1,868,955
Pupil Services	576,927	515,440	517,740
General Administration	1,296,672	1,321,735	1,362,805
Plant Services	1,890,782	1,722,042	1,690,309
Ancillary Services	49,398	52,273	54,213
Community Services	759,951	767,381	748,932
Interest on Long-Term Debt	525,641	409,010	479,196
Other Outgo	115,932	167,672	72,391
Total Expenses	17,808,436	17,198,004	17,118,770
Net Revenue	$ 448,254	$ (559,361)	$ 105,034
Net Assets Beginning of Year	$9,044,026	$9,492,280	$8,932,919
Net Assets End of Year	$9,492,280	$8,932,919	$9,037,953

Source: Audited Financial Statements

Audit

Basic Financial Statements with Management's Discussion and Analysis and Independent Auditors Report and certain Supplementary Information for the year ended June 30, 2011, are included in APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2011. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors, Stephen Roatch Accountancy Corporation, to review this Official Statement, nor have they done so.

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 (1) the actual daily attendance for such district by (2) a base revenue limit per unit of average daily attendance ("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 (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

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

The revenue limit sources comprised approximately 55.70% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 55.85% of such revenues in fiscal year 2011-12.

Federal Revenues. The federal government provides funding for District programs. The federal revenues, most of which are restricted, comprised approximately 2.58% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 4.08% 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 other State categorical revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues comprised approximately 10.99% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 10.35% of such revenues in fiscal year 2011-12.

Other State revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues comprised approximately 1.27% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 1.27% of such revenues in fiscal year 2011-12.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals, special education support and other local sources. Other local revenues comprised approximately 30.72% of general fund revenues in fiscal year 2010-11 and are estimated to equal approximately 29.73% of such revenues in fiscal year 2011-12.

Proposed Parcel Tax

On Tuesday, May 8, 2012, all voters in the Moraga School District were asked to vote on Measure A which was is intended to provide the School District with a reliable, local source of funds to offset state budget cuts, keep class sizes as small as possible, maintain strong academics and attract and retain outstanding teachers and staff. Measure A did not receive the required two-thirds voter approval for passage.

District Debt

Short-Term Obligations. The District has periodically issued tax and revenue anticipation notes ("TRANs") for cash flow deficits. The District did not issue TRANs in 2011.

General Obligation Bonds. The District's only outstanding general obligation bonds are the 2002 Bonds to be refunded by this issue.

Capital Leases. The District leases equipment under a lease agreement which provide for title to pass upon expiration of the lease period. The remaining amount of $132,622 will be paid by the end of the current fiscal year.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective March 1, 2012. 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 contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Moraga School District

2011-12 Assessed Valuation: $3,023,541,031

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/12	
Bay Area Rapid Transit District	0.693%	$ 2,858,902	
Contra Costa Community College District	2.429	5,440,596	
Acalanes Union High School District	13.405	21,564,335	
Moraga School District	**100.**	**8,320,000**	(1)
East Bay Regional Park District	1.077	1,394,984	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$39,578,817	
OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	2.418%	$ 7,294,888	
Contra Costa County Pension Obligations	2.418	8,668,409	
Contra Costa Community College District Certificates of Participation	2.429	20,768	
Town of Moraga Certificates of Participation	99.571	1,433,822	
City of Orinda Certificates of Participation	0.015	1,347	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$17,419,234	
Less: Contra Costa County supported obligations		2,738,815	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$14,680,419	
GROSS COMBINED TOTAL DEBT		$56,998,051	(2)
NET COMBINED TOTAL DEBT		$54,259,236	

(1) Excludes refunding 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 Assessed Valuation:
Direct Debt ($8,320,000) 0.28%
Total Direct and Overlapping Tax and Assessment Debt 1.31%
Gross Combined Total Debt..1.89%
Net Combined Total Debt..1.79%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, most school districts in the State receive a significant portion of their funding from State appropriations.

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

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance ("ADA"). Generally, such apportionments will amount to the difference between the District's revenue limit and the District's local property tax allocation. 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 of the same type of California school districts (*i.e.*, unified, high school or elementary). State law also provides for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributes the State aid.

The calculation of the amount of State aid a school district is entitled to receive each year is a five step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year, whichever is greater. Fourth, revenue limit add-ons are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit each school district is entitled to for the current year.

Basic Aid Districts

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

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 was required 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, did not apply for or receive 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 Treasurer-Tax Collector 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 Treasurer-Tax Collector 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.

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.

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 guaranty the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the 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.

Senate Bill 70. On March 24, 2011, the Governor signed into law Senate Bill 70 ("SB 70"), which implements several provisions included in the Governor's proposed budget for fiscal year 2011-12. 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 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 year 2011-12. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—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 Treasurer-Tax Collector 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. However, such information is not 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 $26.6 billion deficit identified in the Governor's May revision to the proposed budget for fiscal year 2011-12 (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 was 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 authorized 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. Following litigation challenging the constitutionality of both ABx1 26 and ABx1 27, the Supreme Court of California invalidated the provisions of ABx1 27. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22."

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements under A.B. 1200 (see "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—Budget Process" 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 million 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.

Recent Litigation Regarding State Budgetary Provisions. On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—State Budget Measures — 2011-12 Budget." The CSBA Petition seeks an order from the Court compelling the State Treasurer-Tax Collector, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District makes no representations regarding the viability of the claims in the CSBA Petition, nor, with respect to the CSBA Petition, can the District predict whether the petitioners will be successful. Moreover, the District makes no representations as to how a final decisions by the Superior Court would affect the State's ability to fund education in fiscal year 2011-12, or in future fiscal years.

Fiscal Outlook Report. On November 16, 2011, the LAO released a report entitled "The 2012- 13 Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report"), which includes updated expenditure and revenue projections for fiscal year 2011-12. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2011-12 through 2016-17 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The LAO currently forecasts total State revenues of $84.8 billion, approximately $3.7 billion less than the $88.5 billion figure included in the 2011-12 Budget. The LAO also forecasts total expenditures of $85.3 billion, slightly below the $85.9 billion included in the 2011-12 Budget. Absent corrective action, the LAO estimates that the State will face a projected year-end deficit of approximately $3 billion, as compared to the $543 million year-end surplus assumed by the 2011-12 Budget.

The LAO's estimates with respect to fiscal year 2011-12 are informed in part by the following:

- As a result of the revised revenue forecast, the LAO assumes the implementation of $2 billion in midyear "trigger" reductions, as required by the 2011-12 Budget. This includes the implementation of all first tier trigger reductions, totaling $600 million. The LAO also assumes the implementation of approximately $1.4 billion of second tier trigger reductions, including a $248 million reduction in home-to-school transportation funding, a $72 million reduction to community college apportionments, and a $1.1 billion reduction to K-12 revenue limit funding. The reduction to revenue limit funding reflects a pro-rated implementation of the second tier trigger reductions, based on the LAO's revenue forecast. The final extent of the reductions are determined upon the release of the Department of Finance's December 2011 revenue forecast. See "—Department of Finance Revenue Forecast."

- The LAO's forecast generally assumes that the State will prevail in current, on-going litigation regarding certain provisions of the 2011-12 Budget. See "—Recent Litigation Regarding State Budgetary Provisions" above. However, the LAO assumes that the State will only realize $1.4 billion of additional general fund revenues from the elimination of redevelopment agencies, rather than the $1.7 billion figure included in the 2011-12 Budget.

- The Fiscal Outlook Report does not assume the passage of the Governor's proposed tax extensions at the November 2012 election. The LAO notes that, under the provisions of the 2011-12 Budget, if no such ballot measure is passed, the State would be required to provide an additional $2 billion of settle-up payments to K-12 education, reflecting a like increase to the Proposition 98 minimum funding guarantee for fiscal year 2011-12.

- The LAO also assumes (i) higher Medi-Cal costs of approximately $400 million, and (ii) that the State will be unable to reduce departmental costs by $250 million, as projected by the 2011-12 Budget.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Department of Finance Revenue Forecast. On December 13, 2011, the Department of Finance released its revised revenue forecast for fiscal year 2011-12. The Department of Finance currently estimates total State revenues of $86.2 billion, or approximately $2.2 billion lower than the total revenues projected by the 2011-12 Budget. As such, the State Treasurer-Tax Collector implemented most of the first tier trigger reductions, totaling $581 million, including reductions to community college apportionments ($30 million) and Proposition 98 funding for child care ($5.9 million). The Treasurer-Tax Collector also implemented the second tier trigger reductions to community college apportionments ($72 million), and home-to-school transportation funding ($248 million). Significantly, the Treasurer-Tax Collector elected not to implement the bulk of the $1.5 billion second tier reduction to school district revenue limit funding, limiting it to $79.6 million. As a result of the trigger reductions, the District's funding will be reduced by approximately $164,000.

Additional information regarding the Department of Finance's revenue forecast may be obtained at www.dof.ca.gov. However, such information is not incorporated herein by any reference.

Proposed 2012-13 Budget. On January 5, 2012, the Governor released his proposed State budget for fiscal year 2012-13 (the "Proposed Budget"). On January 11, 2012, the LAO released its summary of the Proposed Budget. The following information is drawn from the LAO's summary.

The Proposed Budget estimates that, absent corrective action, the State will end 2011-12 with a total deficit of $4.1 billion. For fiscal year 2012-13, the Proposed Budget projects that State expenditures will exceed baseline revenues by approximately $5.1 billion, bringing the total deficit to $9.2 billion.

To bridge the gap, the Proposed Budget includes $10 billion of proposed measures affecting both fiscal years 2011-12 and 2012-13. These measures include $4 billion of expenditure reductions, $4.6 billion of revenue increases, and $1.4 billion of other solutions. With the implementation of all measures, the Proposed Budget assumes, for fiscal year 2011-12, year-end revenues of $85.5 billion and expenditures of $86.5 billion. The State is also projected to end fiscal year 2011-12 with a budget deficit of $1.7 billion. For fiscal year 2012-13, the Proposed Budget projects total available revenues of $94.4 billion and would authorize total expenditures of $92.6 billion. The State is also projected to end the year with a $1.1 billion reserve. As with the 2011-12 Budget, the Proposed Budget assumes an accelerated approval process with a target date of March 1 for the Legislature to approve some or all of the Governor's proposals.

The LAO notes that the cornerstone of the Proposed Budget is voter approval of temporary tax increases at the November 2012 election. The Governor proposes to increase personal income tax ("PIT") rates on the State's wealthiest taxpayers by 1%, 1.5% or 2%, depending on filing status and total income, as well as temporary increase of the State sales and use tax by 0.5%. These tax increases are projected to generate an additional $2.2 billion in fiscal year 2011-12 and $4.7 billion in fiscal year 2012-13.

The Proposed Budget would also authorize $5.4 billion in trigger cuts, to be implemented if these proposed tax increases are rejected by the voters. The trigger cuts include (i) a total reduction to the Proposition 98 minimum funding guarantee of $4.8 billion (including $2.4 billion in programmatic funding), (ii) a $200 million reduction to each of the University of California and California State University systems, (iii) a $125 million reduction to State courts,

(iv) a $15 million reduction to the Department of Forestry and Fire Protection, (v) a $7 million reduction to Department of Water Resources flood control programs, (vi) a $1 million reduction to Department of Justice law enforcement programs, and (vii) unallocated reductions to the Department of Fish and Game ($4 million) and Department of Parks and Recreation ($2 million). If implemented, these cuts would become effective as of January 1, 2013.

Assuming the passage of the Governor's tax proposals, the Proposition 98 minimum funding guarantee for fiscal year 2011-12 would be set at $47.6 billion, including $32.6 billion from the State general fund. For fiscal year 2012-13, the Proposed Budget would set total Proposition 98 funding at $52.5 billion, including $37.5 billion from the State general fund. This would represent a net increase of $4.9 billion (or 10%) from the prior year.

To arrive at these funding levels, the Proposed Budget makes a permanent adjustment, or "rebenching," to the Proposition 98 minimum funding guarantee to reflect a $1 billion increase in local property taxes resulting from the elimination of redevelopment agencies pursuant to ABx1 26. These increased property taxes would offset State general fund expenditures on K-14 education. The minimum funding guarantee would also be decreased by $544 million, primarily by reversing the existing policy that holds the minimum funding guarantee harmless from the elimination of the sales tax on gasoline.

Significant features of the Proposed Budget as it relates to the funding of education include the following:

- **Cost-of-Living Adjustment**. The Proposed Budget would not provide a cost-of-living adjustment for any K-14 program during fiscal year 2012-13.

- **Apportionment Deferral Reduction**. Proposition 98 funding would be increased by $2.2 billion during fiscal year 2012-13 to restore K-12 State apportionments that are currently subject to a deferral. The Proposed Budget indicates this funding is contingent on the passage of the Governor's proposed tax increases.

- **Categorical Program Flexibility; Weighted Per-Pupil Funding**. To assist with local budget constraints, the Proposed Budget would suspend educational requirements for almost all categorical programs, essentially phasing out most existing categorical programs beginning in 2012-13 (except for certain federally required programs such as special education and child nutrition). The Proposed Budget would also replace the existing revenue limit and categorical program funding models with a single, weighted pupil funding formula, to be phased in over the next five fiscal years. Under this new funding model, school districts would receive an equal base per-pupil amount, plus additional general purpose funding intended to serve disadvantaged students. Schools districts and charter schools with larger disadvantaged student populations would receive supplemental funding. A performance component would also be added, to provide fiscal incentives for school districts to improve or sustain academic performance. School districts would have local discretion in deciding how to spend weighted per-pupil funding.

- **Child Care**. The Proposed Budget would reduce funding for subsidized child care programs by approximately $450 million, representing a reduction of approximately 30%. The bulk of this reduction (approximately $300 million), would be implemented by reducing eligibility to families that meet certain work participation requirements. Reductions to child care funding are part of the Proposed Budget's overall plan to restructure the CalWORKs program and reduce State general fund support for this program by approximately $1.4 billion.

- **K-14 Mandates**. The Proposed Budget also includes a proposal to eliminate 31 of 57 existing K-14 educational mandates. The remaining 26 educational mandates would be suspended, though school districts and community college districts could undertake the activities required by these remaining mandates in exchange for additional funding. Such additional funding would be provided through a new $200 million block grant, composed of $178 million in funding for school districts and $22 million for community college districts. Districts that choose to receive this funding would receive a per-student allocation. The Proposed Budget indicates that an auditing and compliance process will be established to ensure grant recipients undertake the required activities.

- **Non-implementation of Transition Kindergarten Program**. The Proposed Budget would eliminate the requirement that school districts provide an additional year of education to children that miss the new, September 1 cutoff for enrollment in kindergarten. As a result, the Proposed Budget assumes a savings of $224 million in fiscal year 2012-13, growing to approximately $675 million by 2014-15.

The LAO indicates that several of the Governor's proposals have merit, particularly the increased categorical program flexibility, weighted per-pupil funding, and the non-implementation of the transitional kindergarten program. However, the LAO expresses concern regarding several features of the Proposed Budget. The LAO notes that the Proposed Budget's baseline revenue projections are higher than those calculated by the LAO as part of its November 2011 revenue forecast. See "—Fiscal Outlook Report" above. Specifically, the Proposed Budget projects $1.5 billion more of such revenues in 2011-12, and $3.2 billion more in 2012-13. The LAO indicates that this variance is due largely to differences in how the LAO and the Department of Finance project PIT collections from high-income taxpayers. Accordingly, the LAO indicates that the Proposed Budget may overstate growth in State revenues in future years, including the projected revenue growth that would result from the Governor's proposed tax increases. With respect to fiscal year 2012-13, the LAO projects that these proposed tax increases would generate $2.1 billion less than what is assumed by the Proposed Budget.

The LAO also expresses concerns regarding the uncertainty generated by the proposed trigger cuts to education funding. The LAO notes that school districts and community college districts have limited ability to downsize operations midyear, and as such would likely be unable to beat the brunt of the proposed trigger reductions. Districts will therefore be compelled to adopt budgets that assume the trigger reductions are implemented, resulting in the overall programmatic reductions the Proposed Budget seeks to avoid.

Additional information regarding the Proposed Budget is available from the LAO's website: www.lao.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. The District also cannot predict 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.

Litigation Challenging 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 Robles Complaint, 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 that part that claimed that the State constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court rejected the plaintiffs' amended complaint as not stating an equal protection claim but allowed them to amend their complaint, if filed by August 25. On August 22, 2011, the Superior Court granted the plaintiffs' request for an extension of time to file their amended complaint until September 26, 2011. No amended complaint was filed.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the City and County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Treasurer-Tax Collector, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District is not a party to the Robles Complaint or the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the Robles Complaint or the CSBA Petition 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 or the CSBA Petition would affect the financial status of the District or the State.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Stephen Roatch Accountancy Corporation, Folsom, California, serve as independent auditors to the District and excerpts of their report for the fiscal year ended June 30, 2011, are attached hereto as

APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2011. The District's auditors have not specifically approved the inclusion of such excerpts herewith.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2011.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. 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 certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

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.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth ("ADA") and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita general fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al*. The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State

Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State 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. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

Propositions 1A and 22

Proposition 1A (SCA 4) provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to the LAO analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 would be approximately $1 billion in fiscal year 2010–11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California will be dissolved as of February 1, 2012, and all 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 Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. The District can make no representations regarding what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

State Funding of School Construction

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

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

State Retirement Programs

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

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

County Office of Education

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

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

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

School District Budget Process

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

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed. Under either procedure, the school board must revise its adopted budget within 45 days after the Governor signs the State budget act to reflect any changes in budgeted revenues or expenditures made necessary by the adoption of the State's budget.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

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

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

Temporary Inter-fund Borrowing

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

Accounting Practices

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

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* and 53635 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. See "CONTRA COSTA COUNTY INVESTMENT POOL."

CONTRA COSTA COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The following economic and demographic data for the Town and the County are presented for information purposes only. Such data has been collected from the Town and the County or, as noted, third party sources. The Bonds are not a debt or obligation of the County. 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 elementary students in the Town.

Situated northeast of San Francisco, the 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 the County into three distinct regions. The western portion, with its access to water, contains much of the County'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. The 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 Town and the County.

Town of Moraga and Contra Costa County
Population 2001-2011

Year	Town	County
2001	16,399	962,076
2002	16,387	974,657
2003	16,345	984,256
2004	16,287	993,958
2005	16,133	1,001,216
2006	15,911	1,007,169
2007	15,842	1,015,672
2008	15,863	1,027,264
2009	15,929	1,038,390
2010	16,010	1,047,948
2011	16,076	1,056,064

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Count (as of January 1). Sacramento, California, September 2011.

Median Household Income

The following table summarizes the median household effective buying income for the Town, the County, the State and the nation for the years 2005 through 2010.

Town of Moraga, Contra Costa County,
State of California and United States of America
Median Household Effective Buying Income
2005-2010

Year Ending	Town of Moraga	Contra Costa County	State of California	United States of America
2005	$80,304	$56,165	$43,915	$39,324
2006	82,112	58,497	46,275	41,255
2007	85,475	61,123	48,203	41,792
2008	86,414	61,903	48,952	42,303
2009	89,583	64,213	49,736	43,252
2010	87,860	64,213	49,736	43,252
2011	86,209	60,777	47,062	41,253

Source: Nielsen Claritas, Inc.

Commercial Activity

The following table summarizes historical taxable transactions in the Town and the County.

Town of Moraga and Contra Costa County
Total Taxable Transactions All Outlets, 2000-2009
(Dollars in Thousands)

	Town		County	
Year	Permits	Taxable Transactions	Permits	Taxable Transactions
2000	427	69,512	22,674	12,330,560
2001	434	70,624	22,609	12,256,721
2002	424	66,951	22,541	12,159,424
2003	427	68,212	23,253	12,223,295
2004	418	69,525	23,571	12,990,538
2005	422	74,990	23,692	13,480,075
2006	413	76,645	23,249	13,867,661
2007	400	81,538	23,181	14,086,295
2008	381	78,865	23,149	13,307,681
2009	341	76,004	21,395	11,883,049

Source: State Board of Equalization

Major Employers

The following table provides a listing of the major employers headquartered or located in the County, listed alphabetically.

Contra Costa County
Major Employers
(Listed Alphabetically)

Company	Product/Service	City
Bayer Health Care Phrmctcls	Laboratories-Pharmaceutical (Mfrs)	Richmond
Bio-Rad Laboratories Inc	Biological Products (Mfrs)	Hercules
C&H Sugar Co Inc	Sugar Refiners (Mfrs)	Crockett
California State Auto Assn	Automobile Club	Walnut Creek
Chevron Corp	Petroleum Products (Mfrs)	San Ramon
Chevron Global Downstream LLC	Marketing Programs & Services	San Ramon
Concord Naval Weapons Station	Federal Government-National Security	Concord
Contra-Costa Regional Med Ctr	Hospitals	Martinez
Department of Vetrans Affairs	Clinics	Martinez
Doctor's Medical Ctr	Hospitals	San Pablo
John Muir Health Physical Rhb	Physical Therapists	Concord
John Muir Medical Ctr	Hospitals	Concord
Kaiser Permanente	Hospitals	Walnut Creek
Kaiser Permanente Martinez	Clinics	Martinez
Muirlab	Laboratories-Medical	Walnut Creek
Nordstrom	Department Stores	Walnut Creek
PMI Group Inc	Insurance-Bonds	Walnut Creek
Richmond City Offices	Government Offices-City, Village & Twp	Richmond
San Ramon Regional Medical Ctr	Hospitals	San Ramon
Shell Oil Prod	Oil Refiners (Mfrs)	Martinez
St. Mary's College of California	Schools-Universities & Colleges Academic	Moraga
Sutter Delta Medical Ctr	Hospitals	Antioch
Tesoro Golden Eagle Refinery	Oil Refiners (Mfrs)	Pacheco
USS-POSCO Industries	Steel Mills (Mfrs)	Pittsburg
Va Outpatient Clinic	Surgical Centers	Martinez

Source: America's Labor Market Information System (ALMIS) Employer Database, 2012 1st Edition. Employer information is provided by infoUSA, Omaha, NE, 800/555-5211. Copyright 2011.

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
2007-2011

	2007	2008	2009	2010	2011
Civilian Labor Force (1)					
Employment	495,400	496,400	*	*	469,600
Unemployment (2)	24,300	32,700	*	*	54,500
Total	519,700	529,200	n/a	n/a	524,100
Unemployment Rate (3)	4.7%	6.2%	*	*	10.4%

Source: California Employment Development Department, based on March 2011 benchmark.
(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.
* Not reported.

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

Contra Costa County
Annual Average Wage and Salary Employment by Industry*
(Amounts in Thousands)
2006-2010

	2006	2007	2008	2009	2010
Total, All Industries	344,500	346,800	339,500	321,800	312,400
Farm	700	700	700	800	800
Non-Farm:	343,800	346,000	338,800	321,000	311,600
Goods Producing	50,400	49,700	46,500	39,900	36,500
Mining and Logging	—-	—-	—-	—-	—-
Construction	—-	—-	—-	—-	—-
Manufacturing	20,200	20,600	20,700	18,700	18,100
Service Providing	293,400	296,300	292,300	281,100	275,100
Trade, Transportation & Utilities	61,500	62,300	61,200	57,300	55,500
Wholesale Trade	9,100	9,100	8,700	7,700	7,600
Retail Trade	44,000	44,400	43,600	41,200	40,100
Information	13,400	13,000	11,800	10,400	9,800
Financial Activities	32,100	29,100	26,600	25,700	25,500
Professional & Business Services	50,600	49,400	49,300	45,900	43,700
Educational & Health Services	42,700	44,600	45,600	47,700	48,600
Leisure & Hospitality	32,400	33,200	32,800	31,200	31,500
Other Services	12,200	12,500	12,400	11,700	11,600
Government	48,900	52,200	52,600	51,300	48,900

Source: California Employment Development Department, based on March 2011 benchmark.
*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.

Construction Activity

The following tables reflect the five-year history of building permit valuation for the Town and the County:

Town of Moraga
Building Permits and Valuation
(Dollars in Thousands)
2008-2010

	2008	2009	2010
Permit Valuation:			
New Single-family	$ 1,613	$ 1,073	$ 1,556
New Multi-family	0	0	0
Res. Alterations/Additions	8,773	8,065	6,444
Total Residential	10,386	9,138	8,000
Total Nonresidential	6,614	7,510	3,839
Total All Building	$17,000	$16,648	$11,839
New Dwelling Units:			
Single Family	3	2	3
Multiple Family	0	0	0
Total	3	2	3

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Contra Costa County
Building Permits and Valuation
(Dollars in Thousands)
2006-2010

	2006	2007	2008	2009	2010
Permit Valuation:					
New Single-family	$ 986,694	$ 832,053	$ 300,089	$ 300,363	237,458
New Multi-family	157,972	94,505	132,825	34,119	106,555
Res. Alterations/Additions	307,153	290,108	29,023	170,150	209,044
Total Residential	1,451,818	1,216,666	661,937	504,632	553,058
Total Nonresidential	412,500	491,315	459,933	314,301	285,417
Total All Building	$1,864,318	$1,707,980	$1,121,869	818,934	838,475
New Dwelling Units:					
Single Family	3,310	2,698	985	1,038	809
Multiple Family	1,178	909	909	163	890
Total	4,488	3,607	1,894	1,201	1,699

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

FINANCIAL ADVISOR

KNN Public Finance, Oakland, California, has served as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

LEGAL OPINIONS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, San Francisco, California, Bond Counsel for the District. A copy of the legal opinion will be delivered with each Bond. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX B—FORM OF OPINION OF BOND COUNSEL.

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 270 days following the end of the District's fiscal year (which date would be March 31 following the current end of the District's fiscal year on June 30), commencing with the report for the 2011-12 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

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 California.

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 by the District 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 or contesting the District's ability to issue and retire the Bonds.

RATING

Standard & Poor's Ratings Services ("S&P") has assigned the rating of "AA" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, New York, New York 10041. Generally, a rating agency bases it rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, 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 Stifel Nicolaus & Co., Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $8,544,210.95 (being equal to the aggregate principal amount of the Bonds of $7,875,000), plus an original issue premium of $682,997.95, less the Underwriter's discount of $13,787.00). The Underwriter has agreed to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to 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 page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolutions, the Continuing Disclosure Certificate of the District, 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.

All 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 Board.

MORAGA SCHOOL DISTRICT

By /s/ Kathryn E. Bell
Chief Business Official

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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MORAGA SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
MORAGA, CALIFORNIA

AUDIT REPORT

JUNE 30, 2011

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MORAGA SCHOOL DISTRICT

JUNE 30, 2011

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STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
Moraga School District
Moraga, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moraga School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Moraga School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Moraga School District, as of June 30, 2011, and the respective changes in financial position thereof 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 our report dated December 5, 2011 on our consideration of Moraga School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 13, the budgetary comparison information on page 41, and the schedule of funding progress on page 46 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

(PREPARED BY DISTRICT MANAGEMENT)

This section of Moraga 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, 2011. 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 statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved during the course of the year, as total net assets of the District increased by more than 1%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by $105,034.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures and other financing uses exceeded total current year revenues and other financing sources by $73,031.
- Capital assets, net of depreciation, decreased $502,140, due to the current year addition of $99,424 of new capital assets, and the current year recognition of $601,564 of depreciation expense.
- Total long-term liabilities decreased $779,602, due to the current year reduction of the District's obligation for its general obligation bonds and capital lease.
- The District's P-2 ADA increased from 1,679 ADA in fiscal year 2009-10, up to 1,705 ADA in fiscal year 2010-11, an increase of 1.5%.
- During fiscal year 2010-11, the District's General Fund incurred an operating deficit of $51,313, but reported a $353,577 increase in its available reserves, due to fewer fund balance assignments.
- 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 2010-11, General Fund expenditures and other financing uses totaled $15,384,250. At June 30, 2011, the District has available reserves of $3,941,948 in the General Fund which represents a reserve of 25.6%.

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

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

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

FINANCIAL SECTION

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THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

Although the daycare program could be classified as business type activity, the District has elected to continue reporting it as a governmental activity, since the program has no material capital assets or long-term liabilities that would result in a significantly different financial statement presentation. The District does not provide any other services that should be classified as business-type activities.

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

The District is the trustee, or fiduciary, for its student activity funds. 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 total net assets increased from $8,932,919 at June 30, 2010, up to $9,037,953 at June 30, 2011, an increase of more than 1%.

Comparative Statement of Net Assets

	Governmental Activities	
	2010	2011
Assets		
Deposits and Investments	$ 6,012,022	$ 5,587,810
Receivables	1,178,334	1,741,916
Prepaid Expenses	1,165,623	1,058,848
Capital Assets, net	10,993,137	10,490,997
Total Assets	19,349,116	18,879,571
Liabilities		
Current	1,249,851	1,500,649
Long-term	9,166,346	8,340,969
Total Liabilities	10,416,197	9,841,618
Net Assets		
Invested in Capital Assets - Net of Related Debt	2,331,331	2,434,235
Restricted *	2,543,015	2,259,671
Unrestricted *	4,058,573	4,344,047
Total Net Assets	$ 8,932,919	$ 9,037,953

Table includes financial data of the combined governmental funds

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

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year revenues exceeded total current year expenses by $105,034.

Comparative Statement of Changes in Net Assets

	Governmental Activities	
	2010	2011
Program Revenues		
Charges for Services	$ 789,246	$ 819,113
Operating Grants & Contributions	1,557,490	1,087,067
General Revenues		
Taxes Levied	9,070,232	9,132,636
Federal & State Aid	3,248,210	3,851,438
Interest & Investment Earnings	24,546	27,229
Transfers from Other Agencies	284,115	230,121
Miscellaneous	1,664,804	2,076,200
Total Revenues	16,638,643	17,223,804
Expenses		
Instruction	10,243,689	10,324,229
Instruction-Related Services	1,998,762	1,868,955
Pupil Services	515,440	517,740
General Administration	1,321,735	1,362,805
Plant Services	1,722,042	1,690,309
Ancillary Services	52,273	54,213
Community Services	767,381	748,932
Interest on Long-Term Debt	409,010	479,196
Other Outgo	167,672	72,391
Total Expenses	17,198,004	17,118,770
Change in Net Assets	$ (559,361)	$ 105,034

Table includes financial data of the combined governmental funds

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

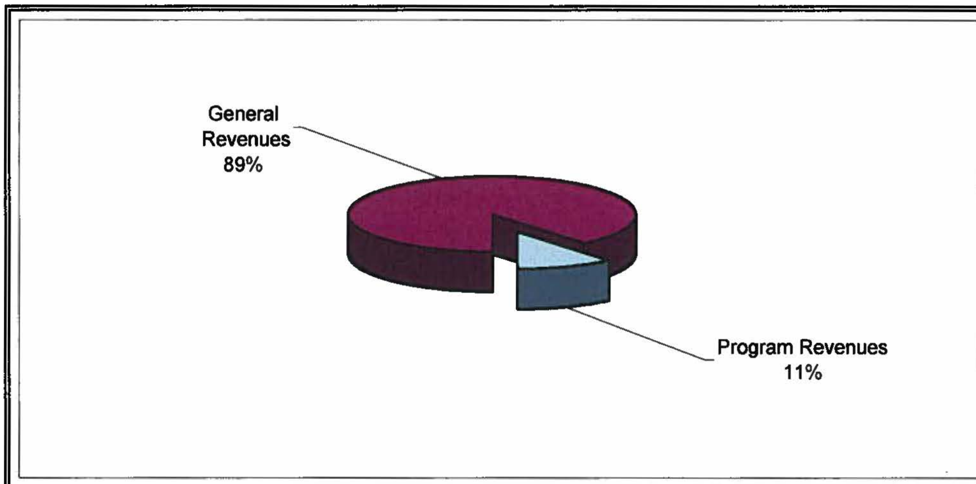
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
Instruction	$ 10,243,689	$ 10,324,229	$ 8,978,984	$ 9,399,669
Instruction-Related Services	1,998,762	1,868,955	1,882,085	1,822,087
Pupil Services	515,440	517,740	385,870	421,927
General Administration	1,321,735	1,362,805	1,313,389	1,352,925
Plant Services	1,722,042	1,690,309	1,722,042	1,690,309
Ancillary Services	52,273	54,213	52,273	54,213
Community Services	767,381	748,932	(6,226)	(56,129)
Interest on Long-Term Debt	409,010	479,196	409,010	479,196
Other Outgo	167,672	72,391	113,841	48,393
Totals	$ 17,198,004	$ 17,118,770	$ 14,851,268	$ 15,212,590

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $15,212,590 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



Program revenues financed 11% of the total cost of providing the services listed above, while the remaining 89% was financed by the general revenues of the District.

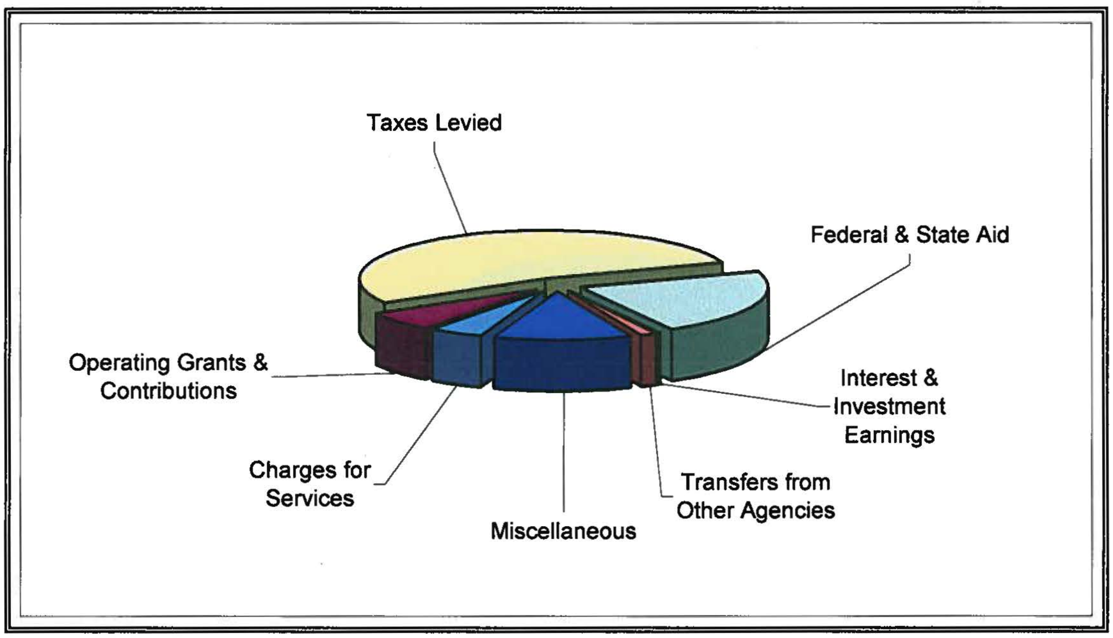
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2010 Amount	Percent of Total	FYE 2011 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 789,246	4.74%	$ 819,113	4.76%
Operating Grants & Contributions	1,557,490	9.36%	1,087,067	6.31%
General Revenues				
Taxes Levied	9,070,232	54.51%	9,132,636	53.02%
Federal & State Aid	3,248,210	19.52%	3,851,438	22.36%
Interest & Investment Earnings	24,546	0.15%	27,229	0.16%
Transfers from Other Agencies	284,115	1.71%	230,121	1.34%
Miscellaneous	1,664,804	10.01%	2,076,200	12.05%
Total Revenues	$ 16,638,643	100.00%	$ 17,223,804	100.00%

Table includes financial data of the combined governmental funds



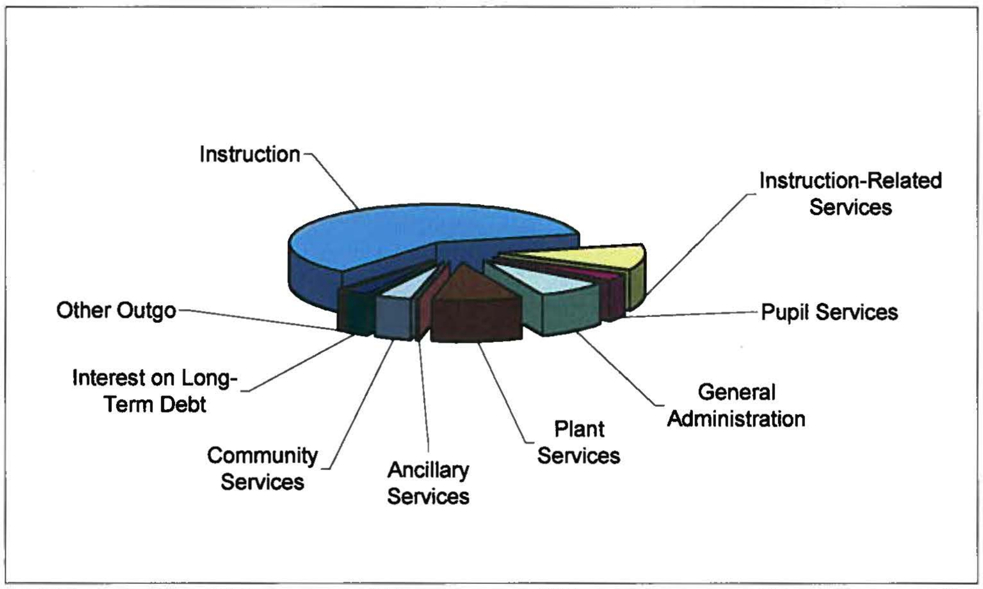
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2010 Amount	Percent of Total	FYE 2011 Amount	Percent of (Decrease)
Expenses				
Instruction	$ 10,243,689	59.56%	$ 10,324,229	60.31%
Instruction-Related Services	1,998,762	11.62%	1,868,955	10.92%
Pupil Services	515,440	3.00%	517,740	3.02%
General Administration	1,321,735	7.69%	1,362,805	7.96%
Plant Services	1,722,042	10.01%	1,690,309	9.87%
Ancillary Services	52,273	0.30%	54,213	0.32%
Community Services	767,381	4.46%	748,932	4.37%
Interest on Long-Term Debt	409,010	2.38%	479,196	2.80%
Other Outgo	167,672	0.97%	72,391	0.42%
Total Expenses	$ 17,198,004	100.00%	$ 17,118,770	100.00%

Table includes financial data of the combined governmental funds



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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities	
	2010	2011
Land	$ 2,639,887	$ 2,639,887
Sites and Improvements	4,576,380	4,576,380
Buildings and Improvements	19,623,149	19,641,039
Furniture and Equipment	690,256	697,946
Work-in-Progress	0	73,844
Subtotals	27,529,672	27,629,096
Less: Accumulated Depreciation	(16,536,535)	(17,138,099)
Capital Assets, net	$ 10,993,137	$ 10,490,997

Capital assets, net of depreciation, decreased $502,140, due to the current year addition of $99,424 of new capital assets, and the current year recognition of $601,564 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2010	2011
Compensated Absences	$ 42,760	$ 42,824
General Obligation Bonds	9,680,000	9,020,000
Capital Lease	259,533	132,622
Other Post Employment Benefits	13,724	20,969
Totals	$ 9,996,017	$ 9,216,415

Total long-term liabilities decreased $779,602, due to the current year reduction of the District's obligation for its general obligation bonds and capital lease.

The general obligation bonds are financed by the local taxpayers and represent 97.9% 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.

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The District's obligation for capital leases represents 1.4% of the District's long-term liabilities and is financed by the General Fund. The liabilities for compensated absences and other post employment benefits represent the remaining 0.7% of the District's total long-term liabilities, and are financed by the General Fund.

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

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2010	Fund Balances June 30, 2011	Increase (Decrease)
General	$ 6,462,230	$ 6,410,917	$ (51,313)
Cafeteria	3,504	1,568	(1,936)
Child Development	77,209	115,811	38,602
Bond Interest & Redemption	19,162	20,177	1,015
Capital Facilities	44,936	67,802	22,866
Building	198,744	116,274	(82,470)
Capital Projects - Special Reserve	51,031	51,236	205
Totals	$ 6,856,816	$ 6,783,785	$ (73,031)

The fund balance of the General Fund decreased $51,313, while the combined fund balances of all other District governmental funds decreased $21,718.

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 original budget presented on page 41 includes only new revenues for 2010-11.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. A decrease of 2 ADA is budgeted for fiscal year 2011-12.

- Due to the unprecedented nature of the current State and Federal fiscal crisis, the amount of funding that will be available to the District remains uncertain. As a result, management will need to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Moraga School District, 1540 School Street, Moraga, CA 94556.

MORAGA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 5,587,810
Receivables (Note 4)	1,741,916
Prepaid Expenses (Note 1J)	1,058,848
Capital Assets: (Note 6)	
Land	2,639,887
Sites and Improvements	4,576,380
Buildings and Improvements	19,641,039
Furniture and Equipment	697,946
Work-in-Progress	73,844
Less: Accumulated Depreciation	(17,138,099)
Total Assets	18,879,571
Liabilities	
Accounts Payable and Other Current Liabilities	312,513
Deferred Revenue (Note 1J)	312,690
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	42,824
General Obligation Bonds	700,000
Capital Leases	132,622
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 7)	8,320,000
Other Post Employment Benefits (Note 10)	20,969
Total Liabilities	9,841,618
Net Assets	
Investment in Capital Assets, Net of Related Debt	2,434,235
Restricted:	
For Capital Projects	119,038
For Debt Service	20,177
For Educational Programs	1,978,077
For Other Purposes	25,000
Unrestricted	4,461,426
Total Net Assets	$ 9,037,953

MORAGA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities					
Instruction	$ 10,324,229	$ 738	$ 923,822		$ (9,399,669)
Instruction-Related Services:					
Supervision of Instruction	267,860		41,011		(226,849)
Instructional Library and Technology	366,525		307		(366,218)
School Site Administration	1,234,570		5,550		(1,229,020)
Pupil Services:					
Home-to-School Transportation	54,636		47,627		(7,009)
Food Services	35,939	13,314	9,317		(13,308)
Other Pupil Services	427,165		25,555		(401,610)
General Administration:					
Data Processing Services	277,332				(277,332)
Other General Administration	1,085,473		9,880		(1,075,593)
Plant Services	1,690,309				(1,690,309)
Ancillary Services	54,213				(54,213)
Community Services	748,932	805,061			56,129
Interest on Long-Term Debt	479,196				(479,196)
Other Outgo	72,391		23,998		(48,393)
Total Governmental Activities	$ 17,118,770	$ 819,113	$ 1,087,067	$ 0	(15,212,590)
General Revenues					
Taxes Levied for General Purposes					6,254,890
Taxes Levied for Debt Service					1,042,055
Taxes Levied for Specific Purposes					1,835,691
Federal and State Aid - Unrestricted					3,851,438
Interest and Investment Earnings					27,229
Transfers from Other Agencies					230,121
Miscellaneous					2,076,200
Total General Revenues					15,317,624
Change in Net Assets					105,034
Net Assets - July 1, 2010					8,932,919
Net Assets - June 30, 2011					$ 9,037,953

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORAGA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and Investments (Note 2)	$ 5,278,749	$ 309,061	$ 5,587,810
Receivables (Note 4)	1,639,891	102,025	1,741,916
Due from Other Funds (Note 5)	36,327		36,327
Total Assets	$ 6,954,967	$ 411,086	$ 7,366,053
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	$ 263,700	$ 1,891	$ 265,591
Due to Other Funds (Note 5)		36,327	36,327
Deferred Revenue (Note 1J)	280,350		280,350
Total Liabilities	544,050	38,218	582,268
Fund Balances: (Note 12)			
Nonspendable	25,000		25,000
Restricted	1,978,077	204,253	2,182,330
Assigned	465,892	168,615	634,507
Unassigned	3,941,948		3,941,948
Total Fund Balances	6,410,917	372,868	6,783,785
Total Liabilities and Fund Balances	$ 6,954,967	$ 411,086	$ 7,366,053

MORAGA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds		$ 6,783,785
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:		
Capital Assets	$ 27,629,096	
Accumulated Depreciation	(17,138,099)	
		10,490,997
Unamortized costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issue costs, reported as prepaid expenditures, at year-end consist of:		
Deferred Charges - Costs of Issuance	122,024	
Deferred Charges - Refunding	936,824	
		1,058,848
Unamortized premiums: In governmental funds, bond premiums are recognized as revenues in the period they are received. In the government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year end consist of:		
Deferred Asset - Bond Premium		(32,340)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Compensated Absences	42,824	
General Obligation Bonds	9,020,000	
Capital Lease	132,622	
Other Post Employment Benefits	20,969	
		(9,216,415)
In governmental funds, the unmatured interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(46,922)
Total Net Assets - Governmental Activities		$ 9,037,953

MORAGA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Revenue Limit Sources:			
State Apportionment	$ 2,279,122		$ 2,279,122
Local Taxes	6,254,890		6,254,890
Total Revenue Limit Sources	8,534,012		8,534,012
Federal Revenue	396,011	$ 9,301	405,312
State Revenue	1,684,442	9,495	1,693,937
Local Revenue	4,718,472	1,872,071	6,590,543
Total Revenues	15,332,937	1,890,867	17,223,804
Expenditures			
Instruction	9,923,006		9,923,006
Supervision of Instruction	257,638		257,638
Instructional Library and Technology	360,228		360,228
School Site Administration	1,187,458		1,187,458
Home-To-School Transportation	52,551		52,551
Food Services		34,568	34,568
Other Pupil Services	410,864		410,864
Data Processing Services	266,749		266,749
Other General Administration	1,007,660	36,327	1,043,987
Plant Services	1,613,941	11,865	1,625,806
Facilities Acquisition and Construction	23,390	68,344	91,734
Ancillary Services	54,213		54,213
Community Services	22,402	726,530	748,932
Debt Service:			
Principal Retirement	126,911	660,000	786,911
Interest and Issuance Costs	10,153	384,951	395,104
Other Outgo	57,086		57,086
Total Expenditures	15,374,250	1,922,585	17,296,835
Excess of Revenues (Under) Expenditures	(41,313)	(31,718)	(73,031)
Other Financing Sources (Uses)			
Operating Transfers In		10,000	10,000
Operating Transfers Out	(10,000)		(10,000)
Total Other Financing Sources (Uses)	(10,000)	10,000	0
Net Change in Fund Balances	(51,313)	(21,718)	(73,031)
Fund Balances - July 1, 2010 (As Reclassified - Note 18)	6,462,230	394,586	6,856,816
Fund Balances - June 30, 2011	$ 6,410,917	$ 372,868	$ 6,783,785

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORAGA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Governmental Funds		$ (73,031)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays during the fiscal year:		
Capital Outlays	$ 99,424	
Depreciation Expense	(601,564)	
		(502,140)
In the statement of activities, certain operating expenses-compensated absences (vacations) and other post employment benefits are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts earned exceeded the amounts used by:		(7,309)
Bond refunding and bond issue costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. The amount of refunding and issue costs amortized for the period are:		
Bond Refunding Amortized	94,470	
Cost of Issuance Amortized	12,305	
		(106,775)
Bond premiums are recognized as Other Financing Sources in the period they are received in governmental funds. In the government-wide statements, premiums are amortized over the life of the debt. The amount of bond premiums amortized for the period are:		
Bond Premiums Amortized		3,261
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General Obligation Bonds	660,000	
Capital Lease	126,911	
		786,911
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on long-term liabilities decreased by:		4,117
Change in Net Assets of Governmental Activities		$ 105,034

MORAGA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds	Total Fiduciary Funds
Assets		
Deposits and Investments (Note 2)	$ 35,214	$ 35,214
Total Assets	35,214	35,214
Liabilities		
Due to Student Groups	35,214	35,214
Total Liabilities	35,214	35,214
Net Assets		
Restricted	0	0
Total Net Assets	$ 0	$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Moraga 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 1864 and serves students in kindergarten through grade eight.

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.

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. Implementation of New Accounting Pronouncements

In March of 2009, the GASB issued GASB Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definition,* with required implementation for the District during the year ended June 30, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 provides for fund balance classifications such as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The effect of implementing GASB 54 resulted in a reclassification of the beginning fund balances as of July 1, 2010, due to the Deferred Maintenance Fund and Special Revenue - Special Reserve Fund no longer meeting the fund definition of a special revenue fund. Further detail on the reclassification is described in Note 18.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

Government-wide Financial Statements:

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Concluded)

Deferred Revenue:

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

Expenses/Expenditures:

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

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

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 maintains the following fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Concluded)

The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

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

Non-major Governmental Funds:

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

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

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

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

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

Capital Projects - Special Reserve Fund is used to account for capital outlay and major repairs and maintenance.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds to account for student body activities at the intermediate school and two elementary schools. The student body funds are used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

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. The original and final revised budget is presented for the General Fund as required supplementary information on page 41.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting (Concluded)

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

H. 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.

I. 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.

J. Assets, Liabilities and Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured 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 funds maintained by the County are either secured by the FDIC or are collateralized.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

2. Prepaid Expenses/Expenditures

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

3. Capital Assets

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

Asset Class	Years
Sites and Improvements	11-36
Buildings and Improvements	20-50
Furniture and Equipment	5-30

4. Deferred Revenue

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

5. Compensated Absences

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities

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

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

7. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or designee that has been given the authority to assign funds. In accordance with board policy, the Superintendent and Chief Business Official have been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the unassigned fund balance maintained by the District shall not fall below 4%.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, consist of the following:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks		$ 35,214
Cash in Revolving Fund	$ 25,000	
County Pool Investments	5,562,810	
Total Deposits and Investments	$ 5,587,810	$ 35,214

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

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).

General Authorization

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Segmented Time Distribution

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

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 5,562,810	$ 5,568,373	$ 4,839,645	$ 723,165

Credit Risk

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

Investment Type	Carrying Value	Fair Value	Rating as of Year End		
			AAA	Aa	Unrated
County Pool Investments	$ 5,562,810	$ 5,568,373			$ 5,562,810

Concentration of Credit Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District does not have a bank balance that is exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2011, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Contra Costa County Treasury was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds was as follows:

Fund	Excess Expenditures
General Fund:	
Classified Salaries	$ 80,030
Capital Outlay	13,191

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

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2011, consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 110,688	$ 1,287	$ 111,975
State Government	1,148,558		1,148,558
Local Governments	316,181		316,181
Miscellaneous	64,464	100,738	165,202
Totals	$ 1,639,891	$ 102,025	$ 1,741,916

NOTE 5 - INTERFUND ACTIVITIES

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

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2011 are as follows:

Funds	Interfund Receivables	Interfund Payables
General	$ 36,327	
Child Development		$ 36,327
Totals	$ 36,327	$ 36,327

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2010-11 were as follows:

Funds	Transfers In	Transfers Out
General		$ 10,000
Cafeteria	$ 10,000	
Totals	$ 10,000	$ 10,000

Transfer of $10,000 from General Fund to Cafeteria Fund to supplement the child nutrition program.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balances July 1, 2010	Additions	Deletions	Balances June 30, 2011
Land	$ 2,639,887			$ 2,639,887
Sites and Improvements	4,576,380			4,576,380
Buildings and Improvements	19,623,149	$ 17,890		19,641,039
Furniture and Equipment	690,256	7,690		697,946
Work-in-Progress	0	73,844		73,844
Totals at Historical Cost	27,529,672	99,424	$ 0	27,629,096
Less Accumulated Depreciation for:				
Sites and Improvements	4,253,906	24,650		4,278,556
Buildings and Improvements	11,802,405	531,322		12,333,727
Furniture and Equipment	480,224	45,592		525,816
Total Accumulated Depreciation	16,536,535	601,564	0	17,138,099
Governmental Activities Capital Assets, net	$ 10,993,137	$ (502,140)	$ 0	$ 10,490,997

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 393,978
Supervision of Instruction	10,222
Instructional Library and Technology	13,987
School Site Administration	47,112
Home-To-School Transportation	2,085
Food Services	1,371
Other Pupil Services	16,301
Date Processing Services	10,583
Other General Administration	41,422
Plant Services	64,503
Total Depreciation Expense	$ 601,564

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2011 was as follows:

Current Interest Bond

Date of Issue	Interest Rate %	Date of Maturity	Original Issue	Amount of Outstanding July 1, 2010	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2011
10/22/02	2-4.30	5/15/21	$ 12,815,000	$ 9,680,000	$ 0	$ 660,000	$ 9,020,000

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2011, are as follows:

Year Ended June 30	Principal	Interest	Totals
2012	$ 700,000	$ 361,651	$ 1,061,651
2013	740,000	339,776	1,079,776
2014	780,000	310,176	1,090,176
2015	820,000	278,977	1,098,977
2016	910,000	246,176	1,156,176
2017-2021	5,070,000	644,144	5,714,144
Totals	$ 9,020,000	$ 2,180,900	$ 11,200,900

NOTE 8 - CAPITAL LEASE

The District leases equipment valued at $1,096,644, under an agreement, which provides for title to pass upon expiration of the lease term. Future minimum lease payments under this agreement are as follows:

Year Ended June 30	Lease Payments
2012	$ 137,065
Less amounts representing interest	(4,443)
Present value of net minimum lease payments	$ 132,622

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 9 - OPERATING LEASES

The District leases various buildings and equipment under operating leases that do not result in a transfer of title at the end of the lease term. Each of these agreements may be cancelled at any time, provided that appropriate notice is given to the other party.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions: The District provides coverage to classified employees who retire from active status at a minimum age of 50 with at least 10 years of service and are eligible for pension benefits from the California Public Employees' Retirement System (CalPERS). The District and retirees share in the cost of benefits as follows:

The District subsidizes medical, dental and vision benefits up to $200 per month, for the retiree's chosen plans for 36 months after retirement or until the retiree reaches age 65, whichever comes first. The retiree is responsible for self-paying excess premiums while covered and for self-paying 100% of all premiums for spouses or dependents of any age.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by labor agreements.

The District had forty-three active employees and no retired employees as of April 1, 2008, the effective date of the triennial OPEB valuation.

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy: The District currently pays for post employment healthcare benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of $20,969 for the year ended June 30, 2011.

Normal cost with interest to end of year	$ 3,148
Amortization of UAAL with interest to end of year	4,019
Annual required contribution (ARC)	7,167
Interest on Net OPEB Obligation	686
Adjustment to ARC	(608)
Annual OPEB cost (expense)	7,245
Contributions for the fiscal year	(0)
Increase in Net OPEB Obligation	7,245
Net OPEB Obligation - June 30, 2010	13,724
Net OPEB Obligation - June 30, 2011	$ 20,969

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	$ 7,245	0%	$ 20,969
June 30, 2010	6,855	0%	13,724
June 30, 2009	6,869	0%	6,869

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Actuarial Methods and Assumptions (Concluded):

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2008, actuarial valuation, the liabilities were computed using the entry age normal method and level dollar amortization over 30 years. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3% was provided by the District and based on historical data. The valuation assumes a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin.

NOTE 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2011, is shown below:

	Balances July 1, 2010	Additions	Deductions	Balances June 30, 2011	Due within One Year
Compensated Absences	$ 42,760	$ 42,824	$ 42,760	$ 42,824	$ 42,824
General Obligation Bonds	9,680,000		660,000	9,020,000	700,000
Capital Lease	259,533		126,911	132,622	132,622
Other Post Employment Benefits	13,724	7,245		20,969	
Totals	$ 9,996,017	$ 50,069	$ 829,671	$ 9,216,415	$ 875,446

NOTE 12 - FUND BALANCES

The District's fund balances at June 30, 2011 consisted of the following:

	General Fund	Non-major Governmental Funds	Totals
Nonspendable	$ 25,000		$ 25,000
Restricted	1,978,077	$ 204,253	2,182,330
Assigned	465,892	168,615	634,507
Unassigned:			
Economic Uncertainties	636,252		636,252
Other	3,305,696		3,305,696
Total Fund Balances	$ 6,410,917	$ 372,868	$ 6,783,785

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal year ending June 30, 2011, 2010, and 2009, were $597,851, $591,799, and $604,362, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

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 2010-11 was 10.707%. 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, 2011, 2010, and 2009, were $263,410, $254,082, and $243,698, 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 (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, the employees were required to contribute 6.2% of their gross earnings from July 2010 through December 2010 and 4.2% from January 2011 through June 2011.

NOTE 14 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of $307,623 (4.267% of salaries subject to CalSTRS).

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010-11, the District participated in two joint powers authorities (JPAs) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage in any of the past three years.

NOTE 16 - JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation and health Insurance; the Contra Costa and Solano Counties School District's Self-Insurance Authority for Property and Liability Insurance, and the Schools Self-insurance of Contra Costa County (SSICCC) for dental and vision coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

NOTE 16 - JOINT VENTURES (CONCLUDED)

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

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

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NOTE 18 - RECLASSIFICATION OF FUND BALANCES

The beginning fund balances of the General Fund, Deferred Maintenance Fund, and Special Revenue - Special Reserve Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54, as follows:

	General Fund	Deferred Maintenance Fund	Special Revenue - Special Reserve Fund
Fund Balances - July 1, 2010 (as originally stated)	$ 3,326,821	$ (7)	$ 3,135,416
Reclassification of Fund Balances	3,135,409	7	(3,135,416)
Fund Balances - July 1, 2010 (as restated)	$ 6,462,230	$ 0	$ 0

NOTE 19 - ECONOMIC DEPENDENCY

During the year, the District received $1,830,548 of parcel tax revenue that is subject to voter approval, and $1,030,000 from the Moraga Education Foundation, a non-profit charitable organization, that is subject to voluntary public contributions to the organization.

SUPPLEMENTARY INFORMATION SECTION

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MORAGA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue Limit Sources:				
State Apportionment	$ 1,624,241	$ 2,278,911	$ 2,279,122	$ 211
Local Sources	6,378,426	6,274,806	6,254,890	(19,916)
Total Revenue Limit Sources	8,002,667	8,553,717	8,534,012	(19,705)
Federal Revenue	320,258	701,602	396,011	(305,591)
Other State Revenue	1,596,578	1,669,612	1,684,442	14,830
Other Local Revenue	4,187,266	4,713,476	4,718,472	4,996
Total Revenues	14,106,769	15,638,407	15,332,937	(305,470)
Expenditures				
Certificated Salaries	7,283,328	7,199,186	7,198,785	401
Classified Salaries	2,715,742	2,661,176	2,741,206	(80,030)
Employee Benefits	3,086,614	3,228,940	3,190,591	38,349
Books and Supplies	382,689	625,169	434,872	190,297
Services and Other Operating Expenditures	1,423,370	1,889,515	1,619,892	269,623
Capital Outlay		17,890	31,081	(13,191)
Debt Service:				
Principal Retirement	126,911	126,911	126,911	
Interest and Fiscal Charges	10,153	10,153	10,153	
Other Expenditures	40,717	64,565	20,759	43,806
Total Expenditures	15,069,524	15,823,505	15,374,250	449,255
Excess of Revenues (Under) Expenditures	(962,755)	(185,098)	(41,313)	143,785
Other Financing (Uses)				
Operating Transfers Out		(5,000)	(10,000)	(5,000)
Net Change in Fund Balances	(962,755)	(190,098)	(51,313)	$ 138,785
Fund Balances - July 1, 2010 (As Restated - Note 18)	6,462,230	6,462,230	6,462,230	
Fund Balances - June 30, 2011	$ 5,499,475	$ 6,272,132	$ 6,410,917	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MORAGA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Cafeteria	Child Development	Bond Interest and Redemption
Assets			
Deposits and Investments	$ 432	$ 53,140	$ 20,177
Receivables	1,463	100,562	
Total Assets	$ 1,895	$ 153,702	$ 20,177
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	$ 327	$ 1,564	
Due to Other Funds		36,327	
Total Liabilities	327	37,891	
Fund Balances:			
Restricted			$ 20,177
Assigned	1,568	115,811	
Total Fund Balances	1,568	115,811	20,177
Total Liabilities and Fund Balances	$ 1,895	$ 153,702	$ 20,177

Capital Facilities	Building	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
$ 67,802	$ 116,274	$ 51,236	$ 309,061
			102,025
$ 67,802	$ 116,274	$ 51,236	$ 411,086
			$ 1,891
			36,327
			38,218
$ 67,802	$ 116,274		204,253
		$ 51,236	168,615
67,802	116,274	51,236	372,868
$ 67,802	$ 116,274	$ 51,236	$ 411,086

MORAGA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Cafeteria	Child Development	Bond Interest and Redemption
Revenues			
Federal Revenue	$ 9,301		
State Revenue			$ 9,495
Local Revenue	13,331	$ 801,459	1,033,471
Total Revenues	22,632	801,459	1,042,966
Expenditures			
Food Services	34,568		
Other General Administration		36,327	
Plant Services			
Facilities Acquisition and Construction			
Community Services		726,530	
Debt Service:			
Principal Retirement			660,000
Interest and Issuance Costs			381,951
Total Expenditures	34,568	762,857	1,041,951
Excess of Revenues Over (Under) Expenditures	(11,936)	38,602	1,015
Other Financing Sources			
Operating Transfers In	10,000		
Net Change in Fund Balances	(1,936)	38,602	1,015
Fund Balances - July 1, 2010	3,504	77,209	19,162
Fund Balances - June 30, 2011	$ 1,568	$ 115,811	$ 20,177

Capital Facilities	Building	Capital Projects - Special Reserve	Total Non-Major Governmental Funds
			$ 9,301
			9,495
$ 22,866	$ 739	$ 205	1,872,071
22,866	739	205	1,890,867
			34,568
			36,327
	11,865		11,865
	68,344		68,344
			726,530
			660,000
	3,000		384,951
0	83,209	0	1,922,585
22,866	(82,470)	205	(31,718)
			10,000
22,866	(82,470)	205	(21,718)
44,936	198,744	51,031	394,586
$ 67,802	$ 116,274	$ 51,236	$ 372,868

MORAGA SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
4/1/08	$ 0	$ 59,984	$ 59,984	0%	$ 1,503,101	4.0%

ORGANIZATION

The Moraga School District was established in 1864, and is comprised of an area of approximately 7 square miles located in Contra Costa County. The District currently operates three elementary schools and one intermediate school. There were no changes in District boundaries during the fiscal year.

GOVERNING BOARD

Name	Office	Term Expires
Dennis Kelleher	President	December 2012
Dexter Louie	Vice President	December 2012
Charles MacNulty	Member	December 2014
Kym Leserman	Member	December 2014
Kathy Ranstrom	Member	December 2014

ADMINISTRATION

Bruce K. Burns
Superintendent

Kathy Bell
Chief Business Official

MORAGA SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
Elementary		
Kindergarten	173.80	174.38
First through Third	534.22	536.50
Fourth through Sixth	579.61	582.17
Seventh and Eighth	412.63	412.64
Home and Hospital	0.45	0.79
Special Education	1.98	1.98
Extended Year	1.82	1.82
Totals	1,704.51	1,710.28

MORAGA SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	Adjusted 1982-83 Actual Minutes	1986-87 Minutes Required	Adjusted 1986-87 Minutes Required	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	43,620	42,408	36,000	35,000	48,384	180	N/A	In Compliance
Grade 1	51,875	50,434	50,400	49,000	55,450	180	N/A	In Compliance
Grade 2	51,875	50,434	50,400	49,000	55,450	180	N/A	In Compliance
Grade 3	51,875	50,434	50,400	49,000	55,865	180	N/A	In Compliance
Grade 4	54,190	52,685	54,000	52,500	57,170	180	N/A	In Compliance
Grade 5	54,190	52,685	54,000	52,500	57,170	180	N/A	In Compliance
Grade 6	56,363	54,797	54,000	52,500	61,212	180	N/A	In Compliance
Grade 7	59,775	58,115	54,000	52,500	61,212	180	N/A	In Compliance
Grade 8	59,775	58,115	54,000	52,500	61,212	180	N/A	In Compliance

MORAGA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Program Name	Federal Catalog Number	Pass-Through Identification Number	Federal Program Expenditures
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
Special Milk	10.556	13527	$ 9,301
U.S. Department of Education:			
Passed through CDE:			
ARRA State Fiscal Stabilization Fund	84.394	25008	75,418
Education Jobs Fund	84.410	25152	255
NCLB: Title II Improving Teacher Quality	84.367	14341	46,711
NCLB: Title II Enhancing Education Through Technology	84.318	14334	173
NCLB: ARRA Title II Enhancing Education Through Technology	84.386A	15019	628
NCLB: Title I Basic Grant Low-Income & Neglected	84.010	14329	49,016
Passed through Contra Costa SELPA:			
Special Education Cluster:			
IDEA Part B Basic Local Assistance	84.027	13379	204,062
IDEA Part B Preschool Grants	84.173	13430	5,562
IDEA Part B Preschool Local Entitlement	84.027A	13682	14,186
Total			$ 405,312

SEE NOTES TO SUPPLEMENTARY INFORMATION

MORAGA SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Deferred Maintenance Fund	Special Revenue - Special Reserve Fund
June 30, 2011 Annual Financial and Budget Report Fund Balances	$ 3,602,261	$ 0	$ 2,808,656
Reclassifications Increasing (Decreasing) Fund Balances:			
Reclassification of Fund Balances	2,808,656	(0)	(2,808,656)
June 30, 2011 Audited Financial Statements Fund Balances	$ 6,410,917	$ 0	$ 0

Auditor's Comments

The fund balances of the General Fund, Deferred Maintenance Fund and Special Revenue-Special Reserve Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2011.

MORAGA SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND			
	(Budget)* 2011-12	2010-11	2009-10 ***	2008-09 ***
Revenues and Other Financial Sources	$ 14,723,542	$ 15,332,937	$ 14,812,487	$ 16,305,791
Expenditures	15,210,395	15,374,250	15,336,259	15,763,557
Other Uses and Transfers Out	3,480	10,000	0	0
Total Outgo	15,213,875	15,384,250	15,336,259	15,763,557
Change in Fund Balance	(490,333)	(51,313)	(523,772)	542,234
Ending Fund Balance	$ 5,920,584	$ 6,410,917	$ 6,462,230	$ 6,986,002
Available Reserves	$ 3,638,744	$ 3,941,948	$ 3,588,371	$ 3,282,744
Reserve for Economic Uncertainties **	$ 630,025	$ 636,252	$ 635,806	$ 630,764
Available Reserves as a Percentage of Total Outgo	23.9%	25.6%	23.4%	20.8%
Average Daily Attendance at P-2	1,703	1,705	1,679	1,701
Total Long-Term Liabilities	$ 8,340,969	$ 9,216,415	$ 9,996,017	$ 10,727,282

* Amounts reported for the 2011-12 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

*** Prior year balances have been adjusted to ensure comparability with the current year GASB Statement No. 54 financial statement presentation.

The fund balance of the General Fund decreased $575,085 (8.2%) over the past two years. The fiscal year 2011-12 budget anticipates a decrease of $490,333 (7.6%). For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surplus of $542,234 during fiscal year 2008-09, and incurred operating deficits of $523,772 and $51,313 during fiscal years of 2009-10 and 2010-11, respectively.

Average daily attendance increased 4 ADA over the past two years. A decrease of 2 ADA is projected for fiscal year 2011-12.

Total long-term liabilities have decreased $1,510,867 over the past two years, due primarily to the reduction of the District's obligations for its capital lease and outstanding general obligation bonds.

MORAGA SCHOOL DISTRICT
MEASURE K PARCEL TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Fiscal Years	Current Fiscal Year	Inception To Date
Revenues			
Parcel Tax Proceeds, Net	$10,987,434	$ 1,830,548	$12,817,982
Expenditures			
Salaries and Benefits	8,695,081	2,169,920	10,865,001
Net Change in Fund Balances	2,292,353	(339,372)	$ 1,952,981
Fund Balances - Beginning	0	2,292,353	
Fund Balances - Ending	$ 2,292,353	$ 1,952,981	

SEE NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Combining Statements

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

C. Schedule of Funding Progress

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

D. Schedule of Average Daily Attendance

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

E. Schedule of Instructional Time

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

F. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds, as reported in the Annual Financial and Budget Report to the audited financial statements.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

H. Schedule of Financial Trends and Analysis

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

I. Measure K Parcel Tax - Schedule of Revenues, Expenditures, and Changes in Fund Balances

This schedule discloses the revenues, expenditures, and remaining fund balance of the District's Measure K parcel tax. In accordance with the ballot measure, proceeds from the parcel tax are used to maintain small class sizes, protect strong academics, and to hire and retain qualified teachers and staff.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Moraga School District
Moraga, California

We have audited Moraga School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of the District's management. Our responsibility is to express an opinion on Moraga School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, prescribed in the California Code of Regulations, Title 5 section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Moraga School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Moraga School District's compliance with those requirements.

Description	Procedures in Education Audit Appeals Panel's Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Material:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

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

Description	Procedures In Education Audit Appeals Panel's Audit Guide	Procedures Performed
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance For Charter Schools	1	Not Applicable
Mode of Instruction for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/ Independent Study for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based For Charter Schools	3	Not Applicable

We did not perform tests for the independent study program because the ADA claimed by the District does not exceed the threshold that requires testing.

In our opinion, Moraga School District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Moraga School District had not complied with the state laws and regulations.

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Governing Board
Moraga School District
Moraga, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moraga School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 5, 2011

FINDINGS AND QUESTIONED COSTS SECTION

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	______ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

State Awards

Internal control over state programs:		
Material weaknesses identified?	______ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2011.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2011.

STATUS OF PRIOR YEAR RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

There were no matters reported in the prior audit report.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing board of the
Moraga School District
819 West Iowa Avenue
Moraga, California 94086-5926

OPINION: $7,875,000 Moraga School District (Contra Costa County, California) 2012 General Obligation Bonds

---

Members of the Governing board:

We have acted as bond counsel to the Moraga School District (the "District") in connection with the issuance by the District of $7,875,000 principal amount of Moraga School District (Contra Costa County, California) 2012 General Obligation Bonds (the "Bonds"), pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), a resolution adopted by the Governing board of the District on April 10, 2012 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

5. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. It is also our opinion that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Code.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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

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

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

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the MORAGA SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $7,875,000 Moraga School District (County of Contra Costa, California) 2012 General Obligation Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Governing board of the District on April 10, 2012 (collectively, the "Resolutions"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*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 who (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 KNN Public Finance or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than March 31, 2013, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that 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.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. 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.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statements for the Bonds, as follows:

(i) average daily attendance of the District for the last completed fiscal year;
(ii) outstanding District indebtedness;
(iii) tax delinquencies, to the extent the County is no longer on the Teeter Plan; and
(iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(c) *Cross References.* 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 are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* 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 security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolutions.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, 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. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with

EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (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) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a 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) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

Section 10. 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolutions. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: [Closing Date]

MORAGA SCHOOL DISTRICT

By ____
Superintendent

ACKNOWLEDGED:

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Moraga School District

Name of Issues: Moraga School District (County of Contra Costa, California) 2012 General Obligation Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issues. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: ______________________

KNN PUBLIC FINANCE, as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent

APPENDIX D

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, 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 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 is rated AA+ by Standard & Poor's. 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 the 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 requested by an authorized representative of DTC. The deposit of the 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 or 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 tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the 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 Paying Agent and request that copies of notices be provided directly to them.

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

Payments of principal of and interest 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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, the Bond certificates will be printed and delivered to DTC.

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.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolutions. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolutions, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolutions.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolutions; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolutions. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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