NEW ISSUE — BOOK-ENTRY ONLY 12-0814 **Ratings: Moody's: "Aa1"**
Standard & Poor's: "AA"
(See "MISCELLANEOUS — Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" herein.

$167,945,000
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2012

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The San Ramon Valley Unified School District General Obligation Refunding Bonds, Series 2012 (the "Refunding Bonds") are issued by the San Ramon Valley Unified School District (the "District"), located in the County of Contra Costa (the "County"), California, (i) to refund, on an advance basis, a portion of the District's outstanding San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2002, Series 2003, San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2002, Series 2004, and San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2002, Series 2006, and (ii) to pay costs of issuance of the Refunding Bonds. See "THE REFUNDING BONDS – Plan of Finance" herein.

The Refunding Bonds are being issued pursuant to the laws of the State of California (the "State") and the Paying Agent Agreement, dated as of July 1, 2012, by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). See "THE REFUNDING BONDS – Authority for Issuance" herein.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS" herein.

The Refunding Bonds will be issued as current interest bonds. The Refunding Bonds shall be issued in denominations of $5,000 principal amount and integral multiples thereof as shown on the inside cover page of this Official Statement. Interest on the Refunding Bonds shall be payable on February 1 and August 1 of each year, commencing on August 1, 2012.

The Refunding 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 The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Refunding Bonds. Individual purchases of Refunding Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them. Payments of the principal of and interest on the Refunding Bonds will be made by the Paying Agent to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Refunding Bonds.

The Refunding Bonds are subject to redemption prior to maturity as described herein. See "THE REFUNDING BONDS — Redemption" herein.

The Refunding Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District; and for the Underwriters by Kutak Rock LLP. It is anticipated that the Refunding Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about July 17, 2012.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

George K. Baum & Company

The date of this official statement is June 19, 2012.

MATURITY SCHEDULE
BASE CUSIP[1]: 799408

$167,945,000
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2012

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2012	$ 4,095,000	1.000%	0.200%	N47
2013	1,610,000	2.000	0.250	N54
2015	1,000,000	4.000	0.520	N62
2016	1,000,000	2.000	0.730	N70
2016	1,000,000	4.000	0.730	N88
2017	2,540,000	4.000	0.980	N96
2018	6,980,000	4.000	1.320	P29
2019	12,780,000	4.000	1.620	P37
2020	500,000	3.000	1.870	P45
2020	13,645,000	4.000	1.870	Q69
2021	15,615,000	4.000	2.100	P52
2022	10,975,000	5.000	2.260	P60
2023	14,590,000	5.000	2.450*	P78
2024	8,425,000	5.000	2.610*	Q77
2024	8,425,000	4.000	2.810*	P86
2025	18,610,000	4.000	2.990*	P94
2026	18,415,000	4.000	3.140*	Q28
2027	11,895,000	5.000	2.960*	Q36
2028	9,930,000	5.000	3.040*	Q44
2029	5,915,000	5.000	3.110*	Q51

*Yield to the par call date of August 1, 2022.

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

BOARD OF EDUCATION

Greg Marvel, *President*
Ken Mintz, *Vice President*
Rachel Hurd, *Clerk*
Paul Gardner, *Member*
Denise Jennison, *Member*

DISTRICT ADMINISTRATORS

Steven W. Enoch, *Superintendent*[1]
Gary Black, *Assistant Superintendent, Business Services & Facilities Development*
Peggy Perry, *Director, Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Financial Advisor

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Paying Agent and Escrow Bank

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

Escrow Verification

Causey, Demgen & Moore Inc.
Denver, Colorado

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[1] Steven W. Enoch will be retiring on June 30, 2012, and will be replaced by Mary Shelton upon his retirement.

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

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

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the 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 Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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

$167,945,000
SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2012

INTRODUCTION

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

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $167,945,000 aggregate principal amount of San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2012 (the "Refunding Bonds"), to be issued by the San Ramon Valley Unified School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds, the Paying Agent Agreement, dated as of July 1, 2012 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), providing for the issuance of the Refunding Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Refunding Bonds are available from the District by contacting: San Ramon Valley Unified School District, 699 Old Orchard Drive, Danville, California 94526, Attention: Assistant Superintendent, Business Services & Facilities Development. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District, located in central Contra Costa County, California (the "County"), encompasses an area of approximately 104 square miles, and serves students from the City of San Ramon, the Town of Danville, and the unincorporated communities of Alamo, Diablo and Blackhawk, as well as a small portion of the City of Walnut Creek. The District is located about 30 miles east of San Francisco in the

San Ramon Valley, a largely residential area at the western and southern fringes of Mt. Diablo, which, with an elevation of 3,849 feet, is one of the highest peaks in the San Francisco Bay area.

The District operates 21 elementary schools, eight middle schools, four high schools, an independent study program and a continuation high school program. Approximately 29,857 students are currently served in grades kindergarten through 12. The District projects fiscal year 2011-12 general fund budget expenditures of approximately $236.9 million. Total assessed valuation of taxable property in the District in fiscal year 2011-12 is approximately $34 billion. The District operates under the jurisdiction of the Superintendent of Schools of Contra Costa County.

The governing board of the District is the Board of Education of the District (the "Board"). The Board consists of five voting members and one nonvoting student member. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. The day-to-day operations of the District are managed by a board-appointed Superintendent of Schools. Steven W. Enoch was selected by the Board in 2008 to succeed the retiring superintendent who had served in that position since 1994. Mr. Enoch will be retiring from his position at the District on June 30, 2012. The District has selected Mary Shelton to replace Mr. Enoch as the Superintendent of Schools upon his retirement. Ms. Shelton is currently the Chief Accountability Officer for the Sacramento City Unified School District.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET." See also APPENDIX C – "ECONOMY OF THE DISTRICT" for economic and demographic information regarding the region encompassing the District.

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds are issued pursuant to provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, a resolution adopted by the Board of Education of the District on April 24, 2012, providing for the issuance of the Refunding Bonds, and the Paying Agent Agreement.

Purpose of Issue

Proceeds from the Refunding Bonds will be used (i) to refund on an advance basis a portion of the District's outstanding San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2002, Series 2003 (the "Series 2003 Bonds"), a portion of the District's outstanding San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2002, Series 2004 (the "Series 2004 Bonds"), and a portion of the District's outstanding San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Bonds, Election of 2002, Series 2006 (the "Series 2006 Bonds"), and (ii) to pay costs of issuance of the Refunding Bonds. See "−Plan of Finance" and "−Estimated Sources and Uses of Funds" below.

Form and Registration

The Refunding Bonds will be issued in book-entry 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"), and will be available to purchasers of the Refunding Bonds (the "Beneficial Owners") 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 receive physical delivery of certificates from the District representing their interests in the Refunding Bonds being purchased. Payments of the principal of, premium, if any, and interest on the Refunding Bonds will be made by the Paying Agent to DTC, and such payments will be remitted by DTC to the participants in DTC for subsequent disbursement to the Beneficial Owners of the Refunding Bonds. See APPENDIX G − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The Refunding Bonds shall be dated the date of their delivery, and shall bear interest at the rates set forth in the table on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing on August 1, 2012 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months. Each Refunding Bond shall be issued in denominations of $5,000 or any integral multiples thereof, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Refunding Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the month preceding such Interest Payment Date (each, a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (ii) a Refunding Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the date of delivery of the Refunding Bonds.

Interest on the Refunding Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Paying Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the registered owners thereof (the "Owners") at their respective addresses shown on the registration books (the "Registration Books") maintained by the Paying Agent as of the close of business on the preceding Record Date. The principal of the Refunding Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the principal corporate trust office of the Paying Agent in San Francisco, California, or such other office as may be specified to the District by the Paying Agent in writing (the "Office of the Paying Agent"). So long as all outstanding Refunding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments by the District or the Paying Agent with respect to principal of, premium, if any, and interest on the Refunding Bonds and all notices with respect to such Refunding Bonds shall be made and given, respectively, to such securities depository or its nominee and not to Beneficial Owners. So long as the Refunding Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Refunding Bonds maturing on or after August 1, 2023 shall be subject to optional redemption on or after August 1, 2022, in whole or in part on any date, from any source of available funds, at a redemption price equal to the principal amount of the Refunding Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Selection of Bonds for Redemption. If less than all of the Refunding Bonds are called for optional redemption, the Paying Agent shall select the Refunding Bonds to be redeemed from all Refunding Bonds not previously called for redemption among maturities of Refunding Bonds as directed in a Written Request of the District. Within a maturity of Refunding Bonds, the Paying Agent shall select Refunding Bonds for redemption by lot.

Notice of Redemption. The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Refunding Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state (i) the date of the notice, (ii) the redemption date, (iii) the redemption place, (iv) the Redemption Price, (v) the CUSIP numbers, if any, (vi) the Refunding Bond numbers, and (vii) the maturity or maturities of the Refunding Bonds to be redeemed (except in the event of redemption of all of the Refunding Bonds of such maturity or maturities in whole). The notice shall also state that the on the specified redemption date there shall become due and payable upon each Refunding Bond to be redeemed, the redemption price of such Refunding Bond to be redeemed, and that interest on such Refunding Bond to be redeemed will not accrue from and after the date fixed for redemption.

Neither the failure to receive any notice of redemption so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Refunding Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Conditional Notice of Redemption. With respect to any notice of any optional redemption of Refunding Bonds, unless at the time such notice is given moneys have been set aside and held by the Paying Agent for the redemption of such Refunding Bonds in accordance with the Paying Agent Agreement (see "– Defeasance – *Refunding Bonds Deemed To Have Been Paid*" herein), such notice shall state that such redemption is conditional upon receipt by the Paying Agent, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Paying Agent, are sufficient to pay the redemption price of, and accrued interest on, the Refunding Bonds to be redeemed. Such notice shall also state that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such Refunding Bonds.

In the event a notice of redemption of Refunding Bonds contains such a condition and such moneys are not so received, the redemption of Refunding Bonds as described in the conditional notice of redemption shall not be made and the Paying Agent shall, within a reasonable time after the date on which such redemption was to occur, give notice in the manner in which the notice of redemption was given, which notice shall state that such moneys were not so received and that there shall be no redemption of Refunding Bonds pursuant to such notice of redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above, and the monies for the redemption (including the interest to the applicable date of redemption) have been set aside with the Paying Agent, the Refunding Bonds to be redeemed shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Paying Agent, said Refunding Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the Refunding Bonds to be redeemed, together with interest to said date, shall be held by the Paying Agent so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Refunding Bonds shall cease to accrue. All moneys held by or on behalf of the Paying Agent for the redemption of Refunding Bonds shall be held in trust for the account of the Owners of the Refunding Bonds so to be redeemed without liability to such Owners for interest thereon.

All Refunding Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed.

Partial Redemption of Bonds. Upon surrender of any Refunding Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Refunding Bond in a principal amount equal to the unredeemed portion of the Refunding Bond surrendered.

Plan of Finance

Without regard to the issuance of the Refunding Bonds, the District has four series of bonds outstanding, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The District received authorization at an election held on April 14, 1998 (the "1998 Authorization"), to issue bonds of the District in an aggregate principal amount not to exceed $70,000,000 to acquire, renovate and construct classrooms pursuant to the 1998 Authorization. On July 9, 1998, the District issued its San Ramon Valley Unified School District (Contra Costa County, California) General Obligation Bonds, Election of 1998, Series A (the "Series 1998 Bonds"), in an aggregate principal amount of $70,000,000 as its first and only series of bonds to be issued under the 1998 Authorization.

The District received authorization at an election held November 5, 2002 (the "2002 Authorization"), to issue bonds of the District in an aggregate principal amount not to exceed $260,000,000 to finance specific construction and modernization projects approved by the voters. On March 20, 2003, the County, at the request of the District, issued the Series 2003 Bonds in the aggregate principal amount of $72,000,000, as the first series of bonds to be issued under the 2002 Authorization. On October 28, 2004, the County, at the request of the District, issued the Series 2004 Bonds in the aggregate principal amount of $100,000,000, as the second series of bonds to be issued under the 2002 Authorization. On August 2, 2006, the County, at the request of the District, issued the Series 2006 Bonds in the aggregate principal amount of $88,000,000, as the third and final series of bonds to be issued under the 2002 Authorization. See "– Aggregate Debt Service" below.

The proceeds of the Refunding Bonds will be used (i) to refund and defease a portion of the District's outstanding Series 2003 Bonds, maturing in the years listed in the following table (the "Prior Series 2003 Bonds"), the District's outstanding Series 2004 Bonds, maturing in the years in the following table (the "Prior Series 2004 Bonds"), and the District's outstanding Series 2006 Bonds, maturing in the years in the following table (the "Prior Series 2006 Bonds" and together with the Prior Series 2003 Bonds and the Prior Series 2004 Bonds, the "Prior Bonds"), and (ii) to pay certain costs of issuance of the Refunding Bonds.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Prior Bonds To Be Refunded

	Prior Series 2003 Bonds				Prior Series 2004 Bonds				Prior Series 2006 Bonds			
Maturities to be Refunded	Principal Amount to be Refunded	CUSIP[1]	Redemption Date	Redemption Price	Principal Amount to be Refunded	CUSIP[1]	Redemption Date	Redemption Price	Principal Amount to be Refunded	CUSIP[1]	Redemption Date	Redemption Price
8/1/2014	$ 1,400,000	799408 D55	8/1/2013	100%	$ 1,835,000	799408 G37	-	-	-	-	-	-
8/1/2015	1,525,000	799408 D63	8/1/2013	100	3,800,000	799408 G45	8/1/2014	100%	-	-	-	-
8/1/2016	1,885,000	799408 D71	8/1/2013	100	5,000,000	799408 G52	8/1/2014	100	-	-	-	-
8/1/2017	2,275,000	799408 D89	8/1/2013	100	6,105,000	799408 G60	8/1/2014	100	-	-	-	-
8/1/2018	2,810,000	799408 D97	8/1/2013	100	6,500,000	799408 G78	8/1/2014	100	$ 3,670,000	799408 K99	8/1/2016	100%
8/1/2019	3,280,000	799408 E21	8/1/2013	100	6,900,000	799408 G86	8/1/2014	100	4,635,000	799408 L23	8/1/2016	100
8/1/2020	-	-	-	-	7,000,000	799408 G94	8/1/2014	100	4,175,000	799408 L31	8/1/2016	100
8/1/2021	-	-	-	-	7,455,000	799408 H28	8/1/2014	100	4,790,000	799408 L49	8/1/2016	100
8/1/2023	18,365,000	799408 E39	8/1/2013	100	-	-	-	-	-	-	-	-
8/1/2024	-	-	-	-	22,275,000	799408 H51	8/1/2014	100	-	-	-	-
8/1/2025	-	-	-	-	-		-	-	-	-	-	-
8/1/2026	-	-	-	-	12,800,000	799408 H85	8/1/2014	100	-	-	-	-
8/1/2028	27,410,000[2]	799408 E47	8/1/2013	100	-	-	-	-	-	-	-	-
8/1/2029	-	-	-	-	16,505,000	799408 H69	8/1/2014	100	-	-	-	-

[1] CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.
[2] Due March 1, 2028

The maturities of the District's Series 2003 Bonds, Series 2004 Bonds and Series 2006 Bonds, listed in the following table will not be refunded with proceeds of the Refunding Bonds.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Unrefunded Bonds

Maturity Date	Original Principal Amount of Series 2003 Bonds	CUSIP[(1)]	Original Principal Amount of Series 2004 Bonds	CUSIP[(1)]	Original Principal Amount of Series 2006 Bonds	CUSIP[(1)]
8/1/2012	$ 225,000	799408 D30	$ 1,000,000	799408 F95	$ 2,750,000	799408 K32
8/1/2013	250,000	799408 D48	1,500,000	799408 G29	3,500,000	799408 K40
8/1/2014	-	-	-	-	3,500,000	799408 K57
8/1/2015	-	-	-	-	3,450,000	799408 K65
8/1/2016	-	-	-	-	3,250,000	799408 K73
8/1/2017	-	-	-	-	3,500,000	799408 K81
8/1/2025	-	-	-	-	19,215,000	799408 L80
8/1/2028	-	-	-	-	14,770,000	799408 M30
8/1/2031	-	-	-	-	14,795,000	799408 M55

(1) CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

The District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") will enter into the Escrow Agreement, dated as of July 1, 2012 (the "Escrow Agreement"), with respect to the Prior Bonds being refunded, pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amount deposited with the Escrow Bank with respect to the Prior Bonds will be used to purchase certain United States governmental obligations, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the principal of and interest due on the Prior Bonds being refunded to the first optional redemption date (August 1, 2013, with respect to the Prior Series 2003 Bonds; August 1, 2014, with respect to the Prior Series 2004 Bonds; and August 1, 2016, with respect to the Prior Series 2006 Bonds) and to redeem such Prior Bonds at a redemption price equal to 100% of the principal amount of such Prior Bonds being refunded on the applicable redemption date in accordance with the schedule set forth in the Escrow Agreement. See "ESCROW VERIFICATION" herein.

The Refunding Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Refunding Bonds. The proceeds of the levy shall be deposited to the credit of the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund"). Such proceeds shall be applied for the payment of principal of and interest on the Refunding Bonds. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code, and consistent with the investment policy of the County. See APPENDIX F − "COUNTY OF CONTRA COSTA INVESTMENT POLICY − SUMMARY OF POOLED INVESTMENT FUND."

Debt Service Schedule

The following table shows the annual debt service requirements of the Refunding Bonds, assuming no early redemptions:

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2012

Year Ending August 1,	Principal	Interest	Total Debt Service
2012	$ 4,095,000.00	$ 278,251.94	$ 4,373,251.94
2013	1,610,000.00	7,114,100.00	8,724,100.00
2014	-	7,081,900.00	7,081,900.00
2015	1,000,000.00	7,081,900.00	8,081,900.00
2016	2,000,000.00	7,041,900.00	9,041,900.00
2017	2,540,000.00	6,981,900.00	9,521,900.00
2018	6,980,000.00	6,880,300.00	13,860,300.00
2019	12,780,000.00	6,601,100.00	19,381,100.00
2020	14,145,000.00	6,089,900.00	20,234,900.00
2021	15,615,000.00	5,529,100.00	21,144,100.00
2022	10,975,000.00	4,904,500.00	15,879,500.00
2023	14,590,000.00	4,355,750.00	18,945,750.00
2024	16,850,000.00	3,626,250.00	20,476,250.00
2025	18,610,000.00	2,868,000.00	21,478,000.00
2026	18,415,000.00	2,123,600.00	20,538,600.00
2027	11,895,000.00	1,387,000.00	13,282,000.00
2028	9,930,000.00	792,250.00	10,722,250.00
2029	5,915,000.00	295,750.00	6,210,750.00
Total:	$167,945,000.00	$81,033,451.94	$248,978,451.94

Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including the Refunding Bonds), assuming no early redemptions:

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Obligation Bonds - Aggregate Debt Service

	1998 Authorization	2002 Authorization				
Year Ending August 1,	Series 1998 Bonds	Series 2003 Bonds(1)	Series 2004 Bonds(1)	Series 2006 Bonds(1)	Refunding Bonds	Aggregate Total Debt Service
2012	$ 7,645,000.00	$1,737,120.00	$3,573,506.25	$ 6,536,000.00	$ 4,373,251.94	$ 23,864,878.19
2013	7,950,000.00	$259,062.50	1,575,000.00	6,730,500.00	8,724,100.00	25,238,662.50
2014	8,340,000.00	-	-	6,573,000.00	7,081,900.00	21,994,900.00
2015	8,605,000.00	-	-	6,365,500.00	8,081,900.00	23,052,400.00
2016	8,940,000.00	-	-	6,010,250.00	9,041,900.00	23,992,150.00
2017	9,305,000.00	-	-	6,114,000.00	9,521,900.00	24,940,900.00
2018	9,635,000.00	-	-	2,439,000.00	13,860,300.00	25,934,300.00
2019	-	-	-	2,439,000.00	19,381,100.00	21,820,100.00
2020	-	-	-	2,439,000.00	20,234,900.00	22,673,900.00
2021	-	-	-	2,439,000.00	21,144,100.00	23,583,100.00
2022	-	-	-	8,644,000.00	15,879,500.00	24,523,500.00
2023	-	-	-	6,558,750.00	18,945,750.00	25,504,500.00
2024	-	-	-	6,072,250.00	20,476,250.00	26,548,500.00
2025	-	-	-	6,114,000.00	21,478,000.00	27,592,000.00
2026	-	-	-	8,153,250.00	20,538,600.00	28,691,850.00
2027	-	-	-	5,199,500.00	13,282,000.00	18,481,500.00
2028	-	-	-	4,981,750.00	10,722,250.00	15,704,000.00
2029	-	-	-	7,684,750.00	6,210,750.00	13,895,500.00
2030	-	-	-	4,457,500.00	-	4,457,500.00
2031	-	-	-	3,974,250.00	-	3,974,250.00
Total:	$60,420,000.00	$1,996,182.50	$5,148,506.25	$109,925,250.00	$248,978,451.94	$426,468,390.69

(1) Reflects that the Series 2003 Bonds, maturing on August 1, 2014 through August 1, 2028, the Series 2004 Bonds maturing on August 1, 2014 through August 1, 2029, and the Series 2006 Bonds maturing on August 1, 2018 through August 1, 2021, inclusive, are to be refunded with proceeds of the Refunding Bonds.

Estimated Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Refunding Bonds	$167,945,000.00
Plus Net Original Issue Premium	24,740,045.45
Total Sources of Funds	$192,685,045.45
Uses of Funds:	
Escrow Fund	$191,767,542.39
Underwriters' Discount	654,985.50
Costs of Issuance[(1)]	262,517.56
Total Uses of Funds	$192,685,045.45

(1) Includes bond counsel, disclosure counsel, financial advisor and other consultant fees, rating agency fees, initial paying agent fees, printing fees and other miscellaneous fees and expenses.

Defeasance

Discharge of Paying Agent Agreement. The Paying Agent Agreement provides that, if (i) the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all outstanding Refunding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Paying Agent Agreement and the Refunding Bonds, and (ii) all other amounts due and payable under the Paying Agent Agreement shall have been paid, then all agreements, covenants and other obligations of the District under the Paying Agent Agreement shall thereupon cease, terminate and become void and the Paying Agent shall be discharged and satisfied. The Paying Agent Agreement provides also that when any Refunding Bond shall have been paid and if, at the time of such payment, the District shall have kept, performed and observed all of the covenants and promises in such Refunding Bond and in the Paying Agent Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Paying Agent Agreement shall be considered to have been discharged in respect of such Refunding Bond, and all agreements, covenants and other obligations of the District under the Paying Agent Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Refunding Bond. The Paying Agent Agreement provides that, notwithstanding the discharge and satisfaction of the Paying Agent Agreement or the discharge and satisfaction of the Paying Agent Agreement in respect of any Refunding Bond, those provisions of the Paying Agent Agreement relating to payment of the Refunding Bonds, transfer of Refunding Bonds, replacement of mutilated, destroyed, lost or stolen Refunding Bonds, the safekeeping and cancellation of Refunding Bonds, non-presentment of Refunding Bonds, and the duties of the Paying Agent in connection with all of the foregoing, shall remain in effect and shall be binding upon the Paying Agent and the Owner of such Refunding Bond, and the Paying Agent shall continue to be obligated to hold in trust any moneys or investments then held by the Paying Agent for the payment of the principal of and interest and premium, if any, on such Refunding Bonds, and to pay to the Owner of such Refunding Bond the funds so held by the Paying Agent as and when such payment becomes due.

Refunding Bonds Deemed To Have Been Paid. The Paying Agent Agreement provides that, if moneys shall have been set aside and held by the Paying Agent for the payment or redemption of any Refunding Bond, such Refunding Bond shall be deemed to have been paid within the meaning and with the effect described above under the heading entitled "–Discharge of Paying Agent Agreement." The Paying Agent Agreement also provides that any outstanding Refunding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect described above under the heading entitled "–Discharge of Paying Agent Agreement" if (i) in case any of such Refunding Bonds are to be redeemed on any date prior to their maturity date, the District shall have given to the Paying Agent in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Paying Agent Agreement, a notice of redemption of such Refunding Bond on said redemption date, (ii) there shall have been deposited with the Paying Agent either (a) money in an amount which shall be sufficient, or (b) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of and interest and premium, if any, on such Refunding Bond, and (iii) in the event such Refunding Bond is not by its terms subject to redemption within the next succeeding 60 days, the District shall have given the Paying Agent, in form satisfactory to the Paying Agent, irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Refunding Bond that the deposit required by clause (ii) above has been made with the Paying Agent and that such Refunding Bond is deemed to have been paid in accordance with the Paying Agent Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and interest and premium, if any, on such Refunding Bond. The term "Defeasance Securities" is defined in the Paying Agent Agreement to mean non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America.

The Paying Agent Agreement also provides that no Refunding Bond shall be deemed to have been paid pursuant to clause (ii) of the previous paragraph unless the District shall have caused to be delivered (a) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District and the Paying Agent, in form and in substance acceptable to the District and the Paying Agent, (b) a copy of the escrow agreement entered into in connection with the deposit pursuant to such clause (ii) resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (c) a copy of an opinion of counsel, dated the date of such deemed payment and addressed to the District and the Paying Agent, in form and in substance acceptable to the District and the Paying Agent, to the effect that such Refunding Bond has been paid within the meaning and with the effect expressed in the Paying Agent Agreement, the Paying Agent Agreement has been discharged in respect of such Refunding Bond and all agreements, covenants and other obligations of the District under the Paying Agent Agreement as to such Refunding Bond have ceased, terminated, become void and been completely discharged and satisfied. The term "Verification Report" is defined in the Paying Agent Agreement to mean, with respect to the deemed payment of Refunding Bonds pursuant to clause (ii) of the previous paragraph, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii) of the previous paragraph.

Unclaimed Moneys. The Paying Agent Agreement provides that any moneys held by the Paying Agent in trust for the payment and discharge of the principal of, or interest or premium on, any Refunding Bonds and remaining unclaimed for one year after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from such fund or, if no such bonds of the District are at such time outstanding, such moneys shall be transferred to the general fund of the District as provided and permitted by law.

SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on a school district's bonds, the board of supervisors of the county, the superintendent of schools of which has jurisdiction over such school district, is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by such school district, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the school district. The assessor of the county in which the district lies must annually certify to the board of supervisors the assessed value of all taxable property in the county situated in the school district. The board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the bonds that is to become due during the year.

Accordingly, the Board of Supervisors of the County must levy upon the property of the District the rate of tax that will be sufficient to provide sufficient funds for repayment of principal and interest when due on the Refunding Bonds. When collected, the tax revenues will be deposited in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code, and consistent with the investment policy of the County. See APPENDIX F − "COUNTY OF CONTRA COSTA INVESTMENT POLICY − SUMMARY OF POOLED INVESTMENT FUND."

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

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

Assessed Valuation of Property Within the District

Taxable property located in the District has a 2011-12 assessed value of $33,999,750,856. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* below.

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

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Shown in the following table is the assessed valuation of the various classes of property in the District in fiscal years 1987-88 through 2011-12.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Assessed Valuations
Fiscal Years 1987-88 through 2011-12

Fiscal Year	Local Secured[(1)]	Utility[(2)]	Total Secured[(1)(2)]	Unsecured	Total Valuation	Annual % Change
1987-88	$ 6,119,599,050	$533,408,550	$ 6,653,007,600	$194,822,556	$ 6,847,830,156	-
1988-89	6,990,503,064	6,530,930	6,997,033,994	254,826,459	7,251,860,453	5.90%
1989-90	8,111,286,728	4,713,670	8,116,000,398	317,079,975	8,433,080,373	16.29
1990-91	9,458,697,779	5,012,560	9,463,710,339	343,451,279	9,807,161,618	16.29
1991-92	10,316,609,495	3,378,140	10,319,987,635	465,110,533	10,785,098,168	9.97
1992-93	10,843,483,472	3,378,140	10,846,861,612	472,118,367	11,318,979,979	4.95
1993-94	11,340,663,217	8,810,233	11,349,473,450	450,608,175	11,800,081,625	4.25
1994-95	11,709,691,031	9,859,560	11,719,550,591	417,724,591	12,137,275,182	2.86
1995-96	12,159,662,949	9,231,847	12,168,894,796	403,314,180	12,572,208,976	3.58
1996-97	12,639,442,745	8,378,517	12,647,821,262	387,986,913	13,035,808,175	3.69
1997-98	13,219,377,895	3,486,111	13,222,864,006	400,455,608	13,623,319,614	4.51
1998-99	14,289,384,206	12,032,571	14,301,416,777	414,173,083	14,715,589,860	8.02
1999-00	15,560,485,260	359,772	15,560,845,032	389,604,370	15,950,449,402	8.39
2000-01	17,044,335,109	359,772	17,044,694,881	432,459,995	17,477,154,876	9.57
2001-02	18,973,640,814	381,584	18,974,022,398	513,646,741	19,487,669,139	11.50
2002-03	20,591,112,709	381,584	20,591,494,293	495,773,772	21,087,268,065	8.21
2003-04	22,564,175,791	381,584	22,564,557,375	509,592,471	23,074,149,846	9.42
2004-05	24,481,694,419	381,584	24,482,076,003	458,881,022	24,940,957,025	8.09
2005-06	27,477,540,099	488,365	27,478,028,464	447,158,445	27,925,186,909	11.97
2006-07	30,951,805,499	801,750	30,952,607,249	503,065,924	31,455,673,173	12.64
2007-08	33,490,205,068	488,449	33,490,693,517	537,016,253	34,027,709,770	8.18
2008-09	34,803,049,136	488,449	34,803,537,585	566,872,339	35,370,409,924	3.95
2009-10	34,176,245,890	1,645,966	34,177,891,856	545,779,373	34,723,671,229	-1.83
2010-11	33,391,709,563	483,521	33,392,196,084	513,314,478	33,905,510,562	-2.36
2011-12	33,484,556,273	1,279,399	33,485,835,672	513,915,184	33,999,750,856	0.28

% Change, 1987-88 to 2011-12	396.50%
Annual Compound Growth, 1987-88 to 2011-12	6.90%

[(1)] Net assessed valuation including the valuation of homeowners' exemptions.
[(2)] Does not include assessed valuation from the unitary utility roll, beginning in fiscal year 1988-89.
Source: Assessed valuation information from California Municipal Statistics, Inc.; annual % change – provided by Stifel, Nicolaus & Company, Incorporated, doing business as Stone & Youngberg, a Division of Stifel Nicolaus.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of 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 exemptions for property owned by 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, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "−*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2011-12 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $849.99 million and its net bonding capacity is approximately $580.48 million (taking into account current outstanding debt before issuance of the Refunding Bonds and the refunding of the Prior Bonds to be refunded). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed value of the District that resides in the Town of Danville, the cities of San Ramon and Walnut Creek and unincorporated portions of the County.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
2011-12 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
Town of Danville	$ 9,177,037,026	26.99%	$ 9,177,037,026	100.00%
City of San Ramon	14,645,619,075	43.08	14,645,619,075	100.00
City of Walnut Creek	233,240,976	0.69	12,331,891,031	1.89
Unincorporated County	9,943,853,779	29.25	29,470,710,768	33.74
Total Contra Costa County	$33,999,750,856	100.00%	140,545,941,115	24.49

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table gives a distribution of taxable property located in the District on the fiscal year 2011-12 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
2011-12 Assessed Valuation and Parcels by Land Use

	Assessed Valuation		Parcels			
Type of Property	2011-12 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% of Total
Non-Residential:						
Agricultural/Rural	$ 443,585,664	1.32%	505	0.95%	474	0.93%
Commercial/Office	2,589,959,757	7.73	518	0.97	511	1.00
Vacant Commercial	21,811,590	0.07	21	0.04	21	0.04
Industrial	173,213,643	0.52	42	0.08	42	0.08
Vacant Industrial	416,769	0.00	3	0.01	3	0.01
Recreational	76,451,635	0.23	103	0.19	97	0.19
Government/Social/Institutional	132,431,056	0.40	713	1.34	458	0.90
Miscellaneous	37,796,666	0.11	1,932	3.62	237	0.46
Subtotal Non-Residential	$3,475,666,780	10.38%	3,837	7.20%	1,843	3.61%
Residential:						
Single Family Residence	$26,146,719,866	78.09%	39,500	74.08%	39,491	77.46%
Condominium/Townhouse	2,766,381,000	8.26	8,511	15.96	8,506	16.68
2-4 Residential Units	26,695,224	0.08	44	0.08	44	0.09
5+ Residential Units/Apartments	616,398,794	1.84	109	0.20	109	0.21
Vacant Residential	452,694,609	1.35	1,317	2.47	992	1.95
Subtotal Residential	$30,008,990,493	89.62%	49,481	92.80%	49,142	96.39%
TOTAL	$33,484,556,273	100.00%	53,318	100.00%	50,985	100.00%

[1] Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table shows the assessed valuation of single-family homes in the District for fiscal year 2011–12.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
2011-12 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	39,031	$26,146,719,866	$669,896	$634,456

2011-12 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	1,038	2.659%	2.659%	$ 80,147,136	0.307%	0.307%
$100,000 - $199,999	2,227	5.706	8.365	323,499,661	1.237	1.544
$200,000 - $299,999	2,171	5.562	13.927	550,018,347	2.104	3.647
$300,000 - $399,999	3,019	7.735	21.662	1,064,105,410	4.070	7.717
$400,000 - $499,999	4,372	11.201	32.864	1,979,278,718	7.570	15.287
$500,000 - $599,999	5,109	13.090	45.953	2,801,682,334	10.715	26.002
$600,000 - $699,999	4,840	12.400	58.354	3,150,615,044	12.050	38.052
$700,000 - $799,999	4,852	12.431	70.785	3,622,930,444	13.856	51.908
$800,000 - $899,999	3,962	10.151	80.936	3,340,407,332	12.776	64.684
$900,000 - $999,999	2,423	6.208	87.144	2,289,291,741	8.756	73.439
$1,000,000 - $1,099,999	1,520	3.894	91.038	1,583,891,766	6.058	79.497
$1,100,000 - $1,199,999	830	2.127	93.164	950,106,769	3.634	83.131
$1,200,000 - $1,299,999	608	1.558	94.722	756,817,609	2.895	86.025
$1,300,000 - $1,399,999	485	1.243	95.965	654,144,608	2.502	88.527
$1,400,000 - $1,499,999	397	1.017	96.982	573,885,333	2.195	90.722
$1,500,000 - $1,599,999	262	0.671	97.653	405,471,844	1.551	92.273
$1,600,000 - $1,699,999	185	0.474	98.127	303,900,111	1.162	93.435
$1,700,000 - $1,799,999	129	0.331	98.458	225,186,265	0.861	94.296
$1,800,000 - $1,899,999	99	0.254	99.711	182,179,053	0.697	94.993
$1,900,000 - $1,999,999	100	0.256	98.967	194,327,139	0.743	95.736
$2,000,000 and greater	403	1.033	100.000	1,114,833,202	4.264	100.000
Total	39,031	100.000%		$26,146,719,866	100.000%	

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

Largest Taxpayers in District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2011-12 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Largest 2011-12 Local Secured Taxpayers

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	Percent of Total[(1)]
1.	Shapell Industries Inc.	Residential Properties	$ 485,040,504	1.45%
2.	Sunset Land Company / Sunset Building Company LLC	Office Building	368,623,158	1.10
3.	Chevron USA Inc.	Office Building	362,333,829	1.08
4.	Essex Portfolio LP / Essex San Ramon Partners LP	Apartments	215,866,398	0.64
5.	SDC 7	Office Building	156,140,766	0.47
6.	Annabel INvestment Co.	Office Building	153,103,903	0.46
7.	Alexander Properties Co.	Office Building	93,608,495	0.28
8.	Legacy III SR Crow Canyon LLC	Office Building	88,171,066	0.26
9.	San Ramon Regional Medial Center	Hospital	62,231,446	0.19
10.	Wittschen Capital Resources LP	Shopping Center	59,576,300	0.18
11.	BRE Properties Inc.	Apartments	54,415,886	0.16
12.	Ardenwood Development Association	Residential Properties	51,147,257	0.15
13.	230 Alamo Plaza Inc.	Shopping Center	46,166,509	0.14
14.	Cedar Grove Apartments	Apartments	42,843,450	0.13
15.	GMS Five LLC	Shopping Center	40,237,511	0.12
16.	REG8 Tassajara Crossing LLC	Shopping Center	35,139,120	0.10
17.	Keenan & Bariteau Bishop Ranch	Shopping Center	34,962,342	0.10
18.	Toyota Motor Sales USA	Industrial	34,057,298	0.10
19.	San Ramon Reflections LLC	Apartments	34,000,000	0.10
20.	Grupe Real Estate Investors 19	Apartments	33,547,169	0.10
			$2,451,212,407	7.32%

(1) 2011-12 local secured assessed valuation: $33,484,556,273
Source: California Municipal Statistics, Inc.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Refunding Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Refunding Bonds is based on the prior year's secured property tax rate.) 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 exemptions for property owned by 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, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Refunding Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table shows *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 16-002) located in the Town of Danville. This Tax Rate Area comprises approximately 16.09% of the total assessed value of the District.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Typical Total Tax Rate per $100 of Assessed Valuation (TRA 16-002)
Fiscal Years 2007-08 Through 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
County-wide rate[1]	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
San Ramon Valley Unified School District	0.0533	0.0517	0.0519	0.0587	.0664
Bay Area Rapid Transit	0.0050	0.0076	0.0090	0.0057	.0041
East Bay Regional Park	0.0085	0.0080	0.0100	0.0108	.0071
Contra Costa Community College District	0.0043	0.0108	0.0066	0.0126	.0144
Total Tax Rates	$1.0711	$1.0781	$1.0775	$1.0878	$1.0920

[1] Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the Constitution.
Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

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

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. 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 on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

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

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2006-07 Through 2010-11

Fiscal Year	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2006-07	$16,378,875.83	$273,874.73	1.67%
2007-08	17,162,145.63	478,883.84	2.79
2008-09	17,863,596.95	575,766.91	3.22
2009-10	19,782,490.72	499,404.93	2.52
2010-11	21,192,565.56	300,229.39	1.42

(1) 1% general tax apportionment.
Source: California Municipal Statistics, Inc.

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

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

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective March 1, 2012 for debt issued as of February 22, 2012. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Statement of Direct and Overlapping Bonded Debt

2011-12 Assessed Valuation:	$33,999,750,856
Redevelopment Incremental Valuation:	(1,090,206,668)
Adjusted Assessed Valuation:	$32,909,544,188

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 3/1/12
Bay Area Rapid Transit District	7.546%	$ 31,130,268
Chabot-Las Positas Community College District	0.651	2,902,932
Contra Costa Community College District	26.034	58,312,255
San Ramon Valley Unified School District	100.000	269,513,252[1]
Easy Bay Regional Park District	11.724	15,185,511
Contra Costa County Community Facilities District No. 2001-1	100.000	6,025,000
Association of Bay Area Governments Community Facilities District No. 2004-2	100.000	41,424,794
Town of Danville 1914 Act Bonds	100.000	3,115,000
City of San Ramon 1915 Bonds	100.000	200,400
County of Special District 1915 Act Bonds (estimate)	2.781-100.000	94,873,008
TOTAL DISTRICT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$522,682,420
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	26.320%	$ 84,067,107
Contra Costa County Pension Obligations	26.320	105,237,888
San Ramon Valley Unified School District General Fund Obligations	100.000	25,000,000
Chabot-Las Positas Community College District Certificates of Participation	0.651	28,123
Contra Costa Community College District Certificates of Participation	26.034	240,815
Town of Danville Certificates of Participation	100.000	9,590,000
City of San Ramon Certificates of Participation	100.000	30,210,000
City of Walnut Creek General Fund Obligations	1.947	15,868
San Ramon Valley Fire Protection District Certificates of Participation	99.832	13,607,102
Contra Costa Fire Protection District Pension Obligations	0.429	478,743
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$268,475,646
Less: Contra Costa County obligations supported by revenue funds		(31,913,025)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$236,562,621
GROSS COMBINED TOTAL DEBT		$791,158,066[2]
NET COMBINED TOTAL DEBT		$759,245,041

(1) Excludes Refunding Bonds to be sold, but includes Prior Bonds to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:
Direct Debt ($269,513,252)..0.79%
Total Direct and Overlapping Tax and Assessment Debt...........1.54%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($294,513,252) 0.89%
Gross Combined Total Debt..2.40%
Net Combined Total Debt..2.31%

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Refunding Bonds is less than the amount to be paid at maturity of such Refunding Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Refunding Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Refunding Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Refunding Bonds is the first price at which a substantial amount of such maturity of the Refunding Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Refunding Bonds accrues daily over the term to maturity of such Refunding Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Refunding Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Refunding Bonds. Beneficial Owners of the Refunding Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Refunding Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Refunding Bonds in the original offering to the public at the first price at which a substantial amount of such Refunding Bonds is sold to the public.

Refunding Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Refunding Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Refunding Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Refunding Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Refunding Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the

Refunding Bonds may adversely affect the value of, or the tax status of interest on, the Refunding Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Refunding Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Refunding Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Refunding Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Refunding Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Refunding Bonds ends with the issuance of the Refunding Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Refunding Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Refunding Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Refunding Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Refunding Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion at the time of issuance of the Refunding Bonds substantially in the form set forth in Appendix D hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriters by Kutak Rock LLP.

Legality for Investment in California

Under provisions of the California Financial Code, the Refunding Bonds are legal investments for commercial banks in California to the extent that the Refunding 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, the Refunding Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2011-12 fiscal year (which is due no later than April 1, 2013) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX E − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The District failed to report a rating upgrade to "AA" of its general obligation bonds by Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business ("Standard & Poor's"), in October 2009. In the preceding five years, the District has not otherwise failed to comply in all material respects with its previous undertakings with regard to the Rule.

No Litigation

No litigation is pending or threatened concerning or contesting the validity of the Refunding Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Refunding Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Refunding Bonds or District or County officials who will sign certifications relating to the Refunding Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriters at the time of the original delivery of the Refunding Bonds.

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

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters relating to the computation of the projected payments of principal and interest to retire the Prior Bonds to be refunded will be verified by Causey, Demgen & Moore Inc., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriters. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Ratings

Moody's Investors Service and Standard & Poor's have assigned their respective ratings of "Aa1" (stable outlook) and "AA" (stable outlook) to the Refunding Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions. The ratings reflect only the view of the rating agency furnishing the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Refunding Bonds. There is no assurance that any ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds. Neither the Underwriters nor the District has undertaken any responsibility after the offering of the Refunding Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Refunding Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Refunding Bonds. Kutak Rock LLP is acting as Underwriters' Counsel with respect to the Refunding Bonds. Isom Advisors, a Division of Urban Futures, Inc., is acting as the District's Financial Advisor with respect to the Refunding Bonds. Payment of the fees and expenses of Underwriters' Counsel and the Financial Advisor are also contingent upon the sale and delivery of the Refunding Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Refunding Bonds.

Underwriting

The Refunding Bonds are being purchased for reoffering to the public by Stifel, Nicolaus & Company, Incorporated, doing business as Stone & Youngberg, a Division of Stifel Nicolaus, on its own behalf and as representative of George K. Baum & Company (collectively, the "Underwriters"), pursuant to the terms of a bond purchase contract executed on June 19, 2012, by and between the Underwriters and the District (the "Purchase Contract"). The Underwriters have agreed to purchase the Refunding Bonds at a price of $192,030,059.95. The Purchase Contract provides that the Underwriters will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriters may offer and sell the Refunding Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Refunding Bonds. Quotations from and summaries and explanations of the Refunding Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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

The District has duly authorized the delivery of this Official Statement.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

By: /s/ Gary Black
Assistant Superintendent, Business Services & Facilities Development

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the San Ramon Valley Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, 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 Refunding Bonds is payable from the general fund of the District or from State revenues. The Refunding Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Contra Costa on property within the District in an amount sufficient for the timely payment of principal of and interest on the Refunding Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE REFUNDING BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District, located in central Contra Costa County, California (the "County"), encompasses an area of approximately 104 square miles, and serves students from the incorporated City of San Ramon, the Town of Danville, and the unincorporated communities of Alamo, Diablo and Blackhawk, as well as a small portion of the City of Walnut Creek. The District is located about 30 miles east of San Francisco in the San Ramon Valley, a largely residential area at the western and southern fringes of Mt. Diablo, which, with an elevation of 3,849 feet, is one of the highest peaks in the San Francisco Bay area.

The District operates 21 elementary schools, eight middle schools, four high schools, an independent study program and a continuation high school program. Approximately 29,857 students are currently served in grades kindergarten through 12. The District projects fiscal year 2011-12 general fund budget expenditures of approximately $236.9 million. Total assessed valuation of taxable property in the District in fiscal year 2011-12 is approximately $34 billion. The District operates under the jurisdiction of the Superintendent of Schools of Contra Costa County.

Board of Education

The governing board of the District is the Board of Education of the District (the "Board"). The Board consists of five voting members and one nonvoting student member. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the Board elects a President, Vice President and Clerk to serve one-year terms. Current voting members of the Board, together with their office and the date their term expires, are listed below:

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Board of Education

Name	Office	Term Expires
Greg Marvel	President	December 2012
Ken Mintz	Vice President	December 2014
Rachel Hurd	Clerk	December 2014
Paul Gardner	Member	December 2012
Denise Jennison	Member	December 2014

Superintendent

The day-to-day operations of the District are managed by a board-appointed Superintendent of Schools. Steven W. Enoch was selected by the Board in 2008 to succeed the retiring superintendent who had served in that position since 1994. Mr. Enoch has over 30 years of experience in education, with 17 years of service as a school superintendent, including, most recently, as Superintendent for the San Juan Unified School District in Sacramento County, California. Mr. Enoch will be retiring from his position at the District on June 30, 2012. The District has selected Mary Shelton to replace Mr. Enoch as the Superintendent of Schools upon his retirement. Ms. Shelton is currently the Chief Accountability Officer for the Sacramento City Unified School District.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 34.2% of its general fund revenues from State funds, budgeted at approximately $74.7 million in fiscal year 2011-12. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two–thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two–thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2011-12 State budget on June 30, 2011.

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

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11 and fiscal year 2011-12 (see *"−2011-12 State Budget"* and *"−State Cash Management Legislation"* below); and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Refunding Bonds, and the District takes no responsibility for informing owners of the Refunding Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Del Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In Robles-Wong, et al. v. State of California ("Robles-Wong"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. After a demurrer was sustained with leave to amend on January 14, 2011, a first amended complaint was filed by the plaintiff class on March 16, 2011. A demurrer with leave to amend on the first amended complaint was sustained on July 26, 2011, however, the plaintiffs elected not to amend their complaint within the time provided by the court. Accordingly, the court dismissed all of the plaintiff's claims and entered a judgment on November 3, 2011. The plaintiffs, on January 24, 2012, filed a notice of appeal to the Court of Appeal of the State of California, First Appellate District, from the judgment entered on November 3, 2011 dismissing the case in its entirety and all orders incorporated therein, including the order entered on July 26, 2011 sustaining the demurrer. The District cannot predict the likelihood of success of such appeal or how such appeal, if successful, could result in a change in how school funding of education is implemented in the State.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "–State Funding of Education; State Budget Process – Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

2011-12 State Budget. The Governor signed the fiscal year 2011-12 State budget (the "2011-12 State Budget") on June 30, 2011. The 2011-12 State Budget closes a $26.6 billion budget gap with $15.0 billion in expenditure reductions, $0.9 billion in targeted revenue increases, $8.3 billion in an improvement in the State's revenue outlook and $2.9 billion in new loans and transfers.

The 2011-12 State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at similar levels for fiscal year 2011-12 as was in effect for fiscal year 2010-11. However, if revenues are projected to fall short by more than $2 billion of the revenues forecasted in the 2011-12 State Budget, then an additional $1.9 billion in education reductions would be implemented – shortening the school year by seven days, eliminating the home-to-school transportation program and reducing community college apportionments.

The 2011-12 State Budget, as enacted, slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 ($48.7 billion) from fiscal year 2010-11 ($49.7 billion). Such funding reflects an increase in general fund revenues in fiscal year 2011-12, the expiration of a variety of short-term tax increases and the rebenching of Proposition 98 guarantee for revenue and program shifts (as further described below).

Under Proposition 98, K-14 education is guaranteed the same percentage of State general fund revenue that was provided in fiscal year 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted or "rebenched" to accurately reflect the base year distribution of State revenues to K-14 education. In fiscal year 2011-12, there are four new rebenching impacts:

- An increase of $578.1 million to ensure that the Proposition 98 guarantee does not decrease with the shift in motor vehicle fuel revenues. Legislation eliminated the sales tax and increased the excise tax on motor vehicle fuel in fiscal year 2010-11, reducing the amount of revenue that is counted as general fund with the State appropriation limit for the purposes of the Proposition 98 calculation.

- An increase of $221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee. The 2011-12 State Budget shifts responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare departments to school districts.

- A decrease of $1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs, from Proposition 98. The 2011-12 State Budget shifts the child care program fund source from Proposition 98 general fund to non-Proposition 98 general fund. The part-day preschool programs are still funded within Proposition 98.

- A decrease of $1.7 billion to ensure that the total Proposition 98 guarantee is unchanged as a result of new local revenue related to redevelopment agencies. The 2011-12 State Budget requires local agencies to provide remittances totaling $1.7 billion in fiscal year 2011-12 to K-12 school districts and county offices of education located within the project area of a redevelopment agency.

In addition to the above adjustments, Proposition 98 is decreased $2.1 billion as a result of the reduction in State general fund sales tax revenue related to the realignment of public safety programs to counties.

Certain adjustments to Proposition 98 expenditures adopted as part of the 2011-12 State Budget included (i) the deferral of $2.1 billion in K-12 education funding, deemed necessary to maintain funding for K-12 education programs at the fiscal year 2010-11 funding level, and (ii) a decrease of $62.3 million of part-day State preschool expenditures, including a decrease of $16.1 million to reduce income eligibility to 70% of the State median income, and a decrease of $46.2 million to reduce provider contracts across-the-board.

The 2011-12 State Budget includes the following significant Proposition 98 general fund policy and workload adjustments:

- <u>Shift in mental health services from counties to school districts</u>. The 2011-12 State Budget rebenches the Proposition 98 guarantee and provides an increase of $221.8 million Proposition 98 general fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts. The 2011-12 State Budget also reflects the repeal of the AB 3632 mandate. Additionally, the 2011-12 State Budget includes $2.8 million in one-time federal carryover funds for program oversight and technical assistance while transitioning these services from counties to schools, and for Office of Administrative Hearings caseload resulting from increased AB 3632 mental health service related disputes. The 2011-12 State Budget continues to provide $98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any costs exceeding this amount. In total, the 2011-12 State Budget provides $389.4 million from all fund sources, including $69 million in federal funds currently budgeted for mental health services.

- Funding for new charter schools. A total of $11 million to provide charter schools that commenced operations between fiscal year 2008-09 and fiscal year 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.

- Extension of flexibility for K-12 school districts. The 2011-12 State Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements and local budget reserve requirement.

In addition to the above, a decrease of $180.4 million to child care and development programs was enacted, reflecting the following: (i) a decrease of $37.4 million to reduce license-exempt provider rates from 80% to 60% of licensed rates for voucher-based programs; (ii) a decrease of $12.4 million to reduce income eligibility to 70% of the State median income; and (iii) a decrease of $130.7 million to reflect an across the board reduction in provider contracts.

The 2011-12 State Budget also makes a one-time change to the A.B. 1200 (see "−District Budget Process and County Review" below) financial reporting process by requiring K-12 districts to adopt a one-year budget for fiscal year 2011-12 and not the standard current budget plus two subsequent years. It further specifies that county superintendents cannot force K-12 districts to adopt a three-year budget or a budget based on the worst-case scenario (that is, assuming the trigger for education cuts gets pulled).

The complete 2011-12 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Trigger of Automatic Cuts. On December 13, 2011, Governor Brown announced that State revenues had fallen $2.2 billion below projections made at the adoption of the 2011-12 State Budget, thus triggering certain automatic spending reductions discussed above. Reductions in education spending amounted to approximately $330 million. The majority of reductions ($248 million) will affect the State's home-to-school transportation funding. Additional reductions of approximately $79.6 million will affect Proposition 98 apportionments. Shortly after the reductions to the home-to-school transportation program were announced by Governor Brown, the Los Angeles Unified School District filed a lawsuit against the State to challenge such transportation cuts. On February 10, 2012, Governor Brown signed into law Senate Bill No. 81 ("SB 81") which restored the $248 million in transportation cuts made in December 2011. SB 81, instead of eliminating school bus transportation funding for the remainder of the fiscal year, implements an across the board reduction affecting all school districts. The District anticipates reductions of approximately $38,000 as a result of these triggers, and has reserved State categorical program carryover amounts in anticipation of such reductions.

Litigation Concerning Proposition 98 Funding. On September 28, 2011, the California School Board Association, the Association of California School Administrators and some California unified school districts filed a lawsuit, *California School Boards Association et al. v. State of California et al.* (San Francisco County Superior Court, No. CGC-11-514689), against the State challenging the 2011-12

State Budget. The plaintiffs assert, among other things, that the 2011-12 State Budget is in violation of the State's constitutional obligation to fund public education. Pursuant to the 2011-12 State Budget, the State diverted a portion of the State's sales and use tax revenues from the State general fund to counties and cities and thereby excluded such revenues from the calculation of the required Proposition 98 minimum funding guarantee. See "−*Aggregate State Education Funding*" and "− *2011-12 State Budget*" above. The plaintiffs allege that the State improperly lowered the Proposition 98 minimum funding guarantee by redefining these revenues, which are expected to total approximately $5.1 billion in fiscal year 2011-12 as "not general fund revenues." Accordingly, the aggregate amount of State general fund revenues used to calculate the minimum guarantee under the first test of Proposition 98 was reduced. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS−Proposition 98 and Proposition 111" below. Due to this action, among other things, the plaintiffs allege that the minimum funding requirement set forth in the 2011-12 State Budget is at least $2.1 billion less than the amount required by Proposition 98. The 2011-12 State Budget provides that the modified calculation may be terminated if voters approve certain ballot measures at or prior to the statewide election in November 2012. In the alternative, the State may adopt a five-year repayment plan. The petitioners allege that neither option satisfies the minimum guarantee under Proposition 98, and have requested a judicial declaration directing the State to recalculate the minimum guarantee under Proposition 98 and implement such recalculation in a manner to ensure that school and community college districts do not receive less than the constitutionally required minimum level of funding. The District cannot predict whether or to what extent the plaintiffs' lawsuit will succeed or, if successful, how any final court decision with respect to the lawsuit would affect the financial status of the District.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but, depending on actual cash flow conditions at the time, allowed the State Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation was enacted for fiscal year 2011-12. The fiscal year 2011-12 legislation, however, set forth a specific deferral plan for K-12 education payments. In the legislation, both the July 2011 and August 2011 K-12 payments of $1.4 billion are deferred and the October 2011 payment of $2.4 billion is deferred. In September 2011, $700 million of the July deferral is to be paid, in January 2012, $4.5 billion from the remaining July, August and October deferrals are paid, and in March 2012, $1.4 billion is to be deferred and paid in April 2012.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provides for $1.2 billion of K-12 payments to be deferred in July 2012, $600 million to be deferred in August 2012, $800 million to be deferred in October 2012 and $900 million to be deferred in March 2013. Of such deferred amounts, $700 million of the deferral made in July 2012 is to be paid in September 2012, the remaining $1.9 billion deferred in July, August and October of 2012 is to be paid in January 2013, and the $900 million deferred in March 2013 is to be repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2012-13 and in future years.

The District cannot predict if additional deferrals will be made in fiscal year 2012-13 and in future years. For example, the California Department of Finance has suggested a revision to the above-described Cash Management Bill for fiscal year 2012-13, which revision proposes a reduction in State aid to school districts due to the uncertainty surrounding the Governor's proposed tax initiatives and related trigger package of additional cuts in fiscal year 2012-13. See "– *Proposed 2012-13 State Budget*" and "– *2012-13 May Revision*" below.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolves all redevelopment agencies in existence and designates "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27's provisions and the satisfaction of certain other conditions.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds *(California Redevelopment Association v. Matosantos)*. The Court subsequently stayed the implementation of a portion of AB1X 26 and all of AB1X 27 pending its decision in *Matosantos*. On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos*.

After *Matosantos*, AB1X 26 continues to suspend most redevelopment agency activities and continues to prohibit redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts. After redevelopment agencies are dissolved on February 1, 2012, AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution.

On February 1, 2012, and pursuant to *Matosantos,* AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various taxing agencies pursuant to AB1X 26.

AB1X 26 requires each successor agency to continue to make payments on enforceable obligations of the former redevelopment agencies. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. The initial enforceable obligation payment schedule will be the enforceable obligation payment schedule adopted by the former redevelopment agency. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to school entities and local taxing agencies.

For information regarding pass-through payments due to the District, see "– Other District Revenues – *Redevelopment Pass-Through Payments*" below. It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. No assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Potential State Initiatives. Several potential State initiatives relating to increasing taxes to increase funding for public education have been submitted to the Attorney General's office as an initial step to appear on the November 2012 ballot. These initiatives include, among others, a plan supported by Governor Brown to increase the sales tax and income tax to increase funding for education and local jails, a plan that extends sales tax to services, reduces income and corporate taxes and raises taxes on out-of-state firms in order to reduce the State's deficit and increase funding to public education and universities and a plan that raises income taxes on certain taxpayers in order to increase funding to public education and local governments for public safety and infrastructure. Supporters of these potential State initiatives are currently gathering signatures in order for such initiatives to qualify for the November 2012 ballot. It is not known which, if any, of these initiatives or any alternatives to these initiatives will qualify for the

November 2012 ballot or if any will become law and thus increasing funding for public education and, in turn, the District.

Proposed 2012-13 State Budget. The Governor officially released his proposed fiscal year 2012-13 State budget (the "2012-13 Proposed State Budget") on January 5, 2012. The 2012-13 Proposed State Budget projects that the State will face a budget gap of $9.2 billion in fiscal year 2012-13, which is less than the $26.6 billion budget gap encountered for fiscal year 2011-12 but more than the approximate $5 billion that was projected when the 2011-12 State Budget was signed. The 2012-13 Proposed State Budget provides that the $9.2 billion budget gap is the result of a carryover deficit of $4.1 billion from fiscal year 2011-12 and an operating deficit, absent any solutions, of $5.1 billion. The carryover deficit of $4.1 billion from fiscal year 2011-12 is, according to the 2012-13 Proposed State Budget, a result of several developments, including a $1.9 billion deficit that carried over from the prior fiscal year and court orders and delayed federal approval related to several cuts in the 2011-12 State Budget.

The 2012-13 Proposed State Budget indicates that a total of $10.3 billion in cuts, taxes and other revenues will be necessary to close the $9.2 billion budget gap and to build a $1.1 billion reserve. The 2012-13 Proposed State Budget reduces expenditures by $4.2 billion, including substantial cuts to major programs, such as a $946 million cut to CalWORKs, $447 million cut to subsidized child care, $842 million cut to Medi-Cal and $302 million reduction to the Cal Grant program. The 2012-13 Proposed State Budget also plans for a $544 million savings from the elimination of supplemental funding for schools associated with the elimination of the sales tax on gasoline together with certain other Proposition 98 adjustments. The 2012-13 Proposed State Budget proposes a total of $6.1 billion in new revenues.

In addition to balancing the budget, the 2012-13 Proposed State Budget aims to set forth a path to meet the State's long-term fiscal challenges. The 2012-13 Proposed State Budget recognizes that the State's debt, deferrals and budgetary obligations will total $33 billion at the end of fiscal year 2011-12. Under the 2012-13 Proposed State Budget, for the first time in the past decade, the budget is projected to be balanced on an ongoing basis and the $33 billion amount is projected to be paid off by fiscal year 2015-16.

The 2012-13 Proposed State Budget assumes the passage of the Governor's proposed initiative for increased taxes at the November 2012 election, which initiative increases the income tax on the State's wealthiest earners and temporarily increases the sales tax by 0.5%. This initiative is projected by the 2012-13 Proposed State Budget to generate an additional $6.9 billion in revenues in fiscal year 2012-13, which amount results in a net benefit to the State general fund of $4.4 billion after accounting for the increased Proposition 98 minimum guarantee. If the Governor's proposed initiative is not approved, the 2012-13 Proposed State Budget specifies a trigger package of cuts to take effect on January 1, 2013, consisting of $5.4 billion in additional cuts, including a $4.8 billion cut to schools and community colleges through the reduction in the Proposition 98 guarantee, a $200 million cut to the State's public university systems and a $125 million cut to the State's court system.

As it relates to K-12 education, the 2012-13 Proposed State Budget recognizes that Proposition 98 funding for K-12 education significantly declined from an all time high of $56.6 billion in fiscal year 2007-08 to $47.6 billion in fiscal year 2011-12. The 2012-13 Proposed State Budget, assuming approval of the Governor's proposed tax initiatives, provides Proposition 98 funding of $52.5 billion for K-12 education, an increase of $4.9 billion from the previous fiscal year. When accounting for all state, federal and local property tax resources, total funding for K-12 education is projected to be $67.1 billion in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be $10,610 in fiscal year 2011-12 and $11,246 in fiscal year 2012-13, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2012-13 Proposed State Budget are $7,815 in fiscal year 2012-13, up from the $7,096 per-pupil provided in fiscal year 2011-12. For fiscal year 2011-

12, K-12 average daily attendance ("A.D.A.") is estimated to be 5,950,041, an increase of 2,673 from fiscal year 2010-11. The 2012-13 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 20,734 to 5,970,775 in fiscal year 2012-13.

In addition to the projected, and assumed, new revenues, the 2012-13 Proposed State Budget proposes (i) a series of rebenchings of the Proposition 98 guarantee, which rebenchings are projected to provide for $373 million of State general fund savings, (ii) a Proposition 98 general fund reduction of $171 million to special education and community college apportionments in fiscal year 2011-12 to offset the increased property taxes resulting from the elimination of redevelopment agencies, and (iii) an increase of more than $2.3 billion in Proposition 98 general fund to reduce inter-year budgetary deferrals for school districts and community colleges.

Certain major workload adjustments for K-12 programs included in the 2012-13 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2012-13 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2012-13. The projected COLA for fiscal year 2012-13 is 3.17%, which would have provided a $1.8 billion increase to the extent Proposition 98 resources were sufficient to provide that adjustment.

- Local Property Tax Adjustment. An increase of $196 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of lower offsetting property tax revenues, and an increase of $627 million for school district and county office of education revenue limits in fiscal year 2012-13 as a result of reduced offsetting property tax revenues.

- Average Daily Attendance. A decrease of $694 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected A.D.A. from the 2011-12 State Budget, and an increase of $158 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of projected growth in A.D.A. for fiscal year 2012-13.

- K-14 Mandates Funding. An increase of $110.1 million to support a new block grant program for K-14 mandates. The 2012-13 Proposed State Budget provides a total of $200 million to fund a mandates block grant incentive program for K-14, while eliminating almost half of the current K-14 mandates. Incentives are created for schools to continue to comply with remaining previously mandated activities.

- Redevelopment Agency Elimination. An increase of $1.1 billion in offsetting local property taxes for fiscal year 2012-13 due to the elimination of redevelopment agencies.

- Unemployment Insurance. An increase of $21.8 million in fiscal year 2012-13 to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.

- Charter Schools. An increase of $50.3 million in Proposition 98 general fund for charter school categorical programs due to charter school growth. The 2012-13 Proposed State Budget proposes to improve in general the operational and financial playing field for charter schools through a series of changes.

- Reduce Child Care Costs. A decrease of $446.9 million in non-Proposition 98 general fund and $69.9 million in Proposition 98 general fund to State Department of Education child care programs to reflect changes to reimbursement rates, and to reflect the alignment of eligibility for low-income working family child care services with federal welfare-to-work work participation requirements.

- Transitional Kindergarten. A decrease of $223.7 million Proposition 98 general fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year. These savings will be used to support existing education programs.

- Child Nutrition Program. A decrease of $10.4 million in non-Proposition 98 general fund in fiscal year 2012-13 to reflect the elimination of supplemental reimbursement for free and reduced-price breakfast and lunch served at private schools and private child care centers. And an increase of $37.2 million for fiscal year 2012-13 in State Department of Education federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.

In addition, the 2012-13 Proposed State Budget proposes a new weighted pupil funding formula that is intended to provide significant and permanent additional flexibility to school districts by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to schools based on weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funding will continue to be targeted to schools with large populations of disadvantaged pupils. The formula will be phased in over a period of five years. The programs that will be replaced by the new formula will immediately be made completely flexible for use in supporting any locally determined education purpose. The 2012-13 Proposed State Budget also adds a system of accountability measures that will be the basis for evaluating and rewarding school performance under this new finance model, which includes the current quantitative, test-based accountability measures and locally developed assessments and qualitative measures.

The complete 2012-13 Proposed State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of 2012-13 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2012-13 Proposed State Budget entitled "The 2012-13 Budget: Overview of the Governor's Budget" on January 11, 2012 (the "2012-13 Budget Overview") in which the LAO disagreed with the $9.2 billion budget gap estimated by the 2012-13 Proposed State Budget and projected a $12.8 billion budget gap, a $3.6 billion difference. This difference is mainly due to the different forecasts of personal income tax revenues, particularly for high-income tax filers. If the LAO's estimates are closer to the target than that in the 2012-13 Proposed State Budget, the State Legislature would have to pursue billions of dollars more in budget-balancing measures. Further, the 2012-13 Budget Overview recognizes that the State's budget is already dependent on volatile income tax payments by the State's wealthiest individuals and raises concern that the 2012-13 Proposed State Budget is centered on the plan to have these wealthiest individuals pay more taxes, making the State more dependent on this uncertain revenue source.

In the 2012-13 Budget Overview, although the LAO disagrees with the projections provided by the 2012-13 Proposed State Budget, the LAO does agree that the 2012-13 Proposed State Budget, whether with the Governor's proposed tax initiatives or with the trigger package of cuts, would move the State's budget closer to balance over the next several years. The 2012-13 Budget Overview recommends the State Legislature adopt the basic restructuring approaches to the K-12 finance system, community college categorical funding model and education mandate system included in the 2012-13 Proposed State Budget regardless of the State's revenue situation, albeit with a few modifications to specific proposals such as the amount of mandates block grant funding provided or the specific mix of mandated programs that are eliminated versus made discretionary. The 2012-13 Budget Overview also recommends that the State Legislature adopt the proposal in the 2012-13 Proposed State Budget to avoid initiating major new programs beginning in fiscal year 2012-13, such as the transitional kindergarten program. While the 2012-13 Budget Overview finds that the there are advantages to the proposed changes and reductions for CalWORKs and subsidized child care, it recognizes that there are potential trade-offs such as the negative impact on many of the State's low-income families.

The LAO believes that the Proposition 98 proposal in the 2012-13 Proposed State Budget generates significant uncertainty for schools districts as it is based upon revenues that would not materialize until midyear with a severe trigger package of cuts in case such revenues, dependent on the Governor's proposed tax initiatives, ultimately do not materialize. Such a scenario, according to the 2012-13 Budget Overview, would force school districts to adopt budgets assuming the $2.4 billion in programmatic cuts and implement adjustments and reductions that the 2012-13 Proposed State Budget sought to avoid. In contrast, school districts that build budgets assuming the tax initiatives would be adopted could face very difficult midyear fiscal situations if the projected revenues do not materialize. The 2012-13 Budget Overview provides that the State Legislature should consider the unintended consequences of the trigger approach in the 2012-13 Proposed State Budget and be very deliberate in structuring a trigger package, as it in essence would determine the size and quality of the State's K-14 education program in fiscal year 2012-13. The LAO recommends that the State Legislature be cautious when considering the size of the trigger reduction, determining the specific K-14 reductions to impose in advance and designing tools to help school districts respond given the constraints they face in making midyear adjustments.

The 2012-13 Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

2012-13 May Revision. On May 14, 2012, the Governor released the "Governor's Budget May Revision 2012-13" (the "May Revise"), which outlines proposed revisions to the 2012-13 Proposed State Budget. The May Revise estimates the budget deficit for fiscal year 2012-13 has increased to $15.7 billion, up $6.5 billion from the $9.2 billion budget deficit projected under the 2012-13 Proposed State Budget. This increase, according to the May Revise, is largely attributable to three factors: (i) receipt of lower than projected revenues, especially with respect to personal income taxes and corporation taxes, (ii) increased Proposition 98 spending, and (iii) ongoing blockage by the federal government and judicial courts of certain measures to reduce State spending (i.e. cuts to the State's Medi-Cal program). The May Revise proposes to balance a portion of this increased budget deficit with $4.1 billion in additional spending reductions, for a total of $8.3 billion in spending reductions. Such additional spending reductions include a $1.5 billion reduction in Proposition 98 spending (an increase from the $544 million reduction proposed under the 2012-13 Proposed State Budget). In addition to the additional spending reductions, the May Revise proposes to balance the budget deficit through the use of certain loan and transfer measures and based on projections of increased revenues in fiscal year 2012-13.

As with the 2012-13 Proposed State Budget, the May Revise assumes the passage of the Governor's proposed initiative for temporary tax increases at the November election, which initiative includes a temporary increase of personal income tax on high income taxpayers and a temporary increase of the sales tax. The May Revise projects such initiative to generate an estimated $8.5 billion in revenues in fiscal year 2012-13 (an increase from the $6.9 billion projected under the 2012-13 Proposed State Budget), which amount results in a net benefit to the State general fund of $5.6 billion (an increase from the $4.4 billion projected under the 2012-13 Proposed State Budget) after accounting for the increased Proposition 98 guarantee ($2.9 billion). If the Governor's proposed initiative for temporary tax increases is not approved, the May Revise provides for a trigger package of additional cuts to take effect on January 1, 2013, which packages includes, among other things, a $5.5 billion cut to schools and community colleges through the reduction in the Proposition 98 guarantee (an increase from the $4.8 billion cut projected under the 2012-13 Proposed State Budget). The May Revise also assumes that the initial public offering of Facebook will contribute $1.2 billion in revenues in fiscal year 2012-13. The District cannot predict whether the initiative for temporary tax revenues will be approved by the voters or whether the projected revenues will be realized in fiscal year 2012-13.

With respect to K-12 education, certain of the proposed adjustments under the May Revise include the following:

- Proposition 98 Adjustments. A decrease of $931.8 million in Proposition 98 spending from the removal of an adjustment provided to schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and the redesignation of the overappropriation of the Proposition 98 guarantee in fiscal year 2011-12 towards an existing settle-up debt owed to schools and a settlement agreement payment requirement in fiscal year 2012-13.

- Redevelopment Agency Asset Liquidation. An increase of $1.2 billion in offsetting local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies, which increase offsets Proposition 98 State general fund obligations by an identical amount, and an additional $90.9 million in property tax funds to be retained by schools districts and county offices of education.

- K-12 Deferrals. An increase of $392.9 million Proposition 98 State general fund obligations (for a total of $2.6 billion) to reduce inter-year budgetary deferrals from $9.5 billion to $6.9 billion.

- Local Property Tax Adjustment. An increase of $459 million in fiscal year 2011-12 and an increase of $398 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of lower projected property tax revenues.

- Average Daily Attendance. An increase of $122 million in fiscal year 2011-12 and an increase of $169 million in fiscal year 2012-13 for school district and county office of education revenue limits as a result of an increase in projected A.D.A. in both years.

- Transitional Kindergarten. A decrease of $132.2 million associated with the proposed elimination of transitional kindergarten requirements.

- Charter Schools. An increase of $3.4 million Proposition 98 general fund for charter school categorical programs due to charter school growth.

In addition, the May Revise provides certain key changes to the proposed weighted pupil funding formula proposed under the 2012-13 Proposed State Budget (including, but not limited to, an increase in the base grant portion of the weighted student formula, a phase in of the formula over a period of seven years instead of five years and delayed implementation of the formula if the Governor's proposed initiative for temporary tax increases is not approved in November 2012) and to the proposed reform of the existing mandate reimbursement process (including, but not limited to, the elimination (and not suspension) of six of the costliest education mandates). The May Revise also includes certain changes to the proposed measures pertaining to charter schools from the 2012-13 Proposed State Budget.

The complete May Revise is available from the California Department of Finance website at **www.dof.ca.gov**. The District takes no responsibility for the continued accuracy of this internet address of for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of the May Revise. The LAO released its report on the May Revise entitled "The 2012-13 Budget: Overview of the May Revision" on May 18, 2012 (the "May Revise Overview"), in which the LAO found the May Revise economic and revenue forecasts to be reasonable. The LAO, however, estimates the budget deficit for fiscal year 2012-13 to be approximately $900 million greater than the budget deficit projected in the May Revise ($200 million of which is expected to materialize in fiscal year 2011-12 and $700 million of which is expected to materialize in fiscal year 2012-13). According to the May Revise Overview, this difference is mainly attributable to a lower estimate of property tax revenues from former redevelopment agencies, which lower estimates would increase the State's Proposition 98 obligations. The LAO also noted that for fiscal years after fiscal year 2012-13, its revenue forecasts diverged further from the projections in the May Revise ($1.3 billion lower than the May Revise for fiscal year 2013-14 and $3.5 to $4 billion lower than the May Revise in each of fiscal years 2014-15 and 2015-16). These difference are largely attributable to different personal income tax estimates and the inclusion of estate taxes in the May Revise projections. In the May Revise Overview, the LAO states that economic revenue and forecasting is unusually difficult at this time due to a variety of issues, including uncertain federal policies, difficulties in forecasting recent corporation tax policy changes, stock market volatility and the initial public offering of Facebook. The LAO acknowledges it would not be surprising if actual fiscal year 2012-13 revenues are several billion dollars lower or higher than the current projections.

With respect to specific Proposition 98 proposals under the May Revise, the May Revise Overview provides that certain (but not all) of the adjustments to the proposed weighted pupil funding formula and proposed reform of the existing mandate reimbursement process are modest improvements from the 2012-13 Proposed State Budget. The LAO also agrees with the May Revise proposal to pay down more deferrals (an additional $392.9 million to pay down K-12 deferrals) as doing so is expected to enable the State to make more payments on time while minimizing midyear disruptions.

The May Revise Overview, however, criticizes the inconsistent rebenching adjustments under the May Revise (rebenching using the current-year method in certain cases (such as the shift with one-time revenues from assets of dissolved redevelopment agencies), whereby shifts result in dollar-for-dollar effects, but using the 1986-87 method in other cases (such as the shift with ongoing local property tax revenues from dissolved redevelopment agencies), whereby the minimum guarantee is adjusted to reflect the value of shifts had they occurred back in 1986-87). The May Revise Overview also questions the application of the maintenance factor payment with respect to Proposition 98 on top of Test 1 (based on general fund revenues) instead of on top of Test 2 (based on growth in attendance and per capita personal income). According to the May Revise Overview, this application of the maintenance factor payment in the May Revise results in an increase of Proposition 98 obligations despite a decrease in projected revenues and, specifically, Proposition 98 obligations that are $1.7 billion higher than that under the alternative Test 2 approach. Additionally, the May Revise Overview raises concern with the May Revise's trigger package of additional cuts and its rebenching approach for debt-service payments (including State K-14 general obligation bond debt-service payments within the Proposition 98 minimum guarantee but rebenching such minimum guarantee by a relatively nominal amount) and its inconsistent rebenching treatment of different programs (i.e. shifting the Early Start program into the Proposition 98 guarantee without any rebenching).

The May Revise Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2012-13 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the final fiscal year 2012-13 State budget or the impact that such budget will have on the District's finances and operations. The final fiscal year 2012-13 State budget will be affected by national and State economic conditions and other factors which the District cannot predict or control.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2011-12 and in future fiscal years. Continued State budget shortfalls in fiscal year 2011-12 and future fiscal years could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some equalization aid are commonly referred to as "revenue limit districts." The District is a revenue limit district.

Changes in local property tax income and student enrollment (A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, assuming property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2007-08 through 2010-11, and (ii) the District's budgeted A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2011-12, for kindergarten through grade 12, including special education.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Average Daily Attendance, Enrollment And Base Revenue Limit
Fiscal Years 2007-08 Through 2011-12

Fiscal Year	Average Daily Attendance[(1)]	Enrollment	Base Revenue Limit Per Unit of Average Daily Attendance
2007-08	25,170	25,919	$5,770.69
2008-09[(2)]	26,217	26,975	6,099.69
2009-10[(3)]	27,119	27,937	6,361.69
2010-11[(4)]	28,164	28,960	6,336.69
2011-12[(5)]	29,018	29,857	6,479.69

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(2) The District had a 7.844% base revenue limit deficit factor in fiscal year 2008-09, resulting in a funded base revenue limit of $5,621.23. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated.
(3) The District had a 18.355% base revenue limit deficit factor and a 4.25% cost of living adjustment in fiscal year 2009-10, which resulted in net funding of a negative 7.75% and a funded base revenue limit of $4,991.17, which includes a one-time base revenue limit reduction of $252.83.
(4) The District had a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in fiscal year 2010-11, which resulted in a funded base revenue limit of $5,198.48.
(5) Figures are projections. The District also expects a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which results in a funded base revenue limit of $5,144.44.
Source: San Ramon Valley Unified School District.

Local Sources of Education Funding

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."

The District is a revenue limit district. Local property tax revenues account for approximately 75.3% of the District's aggregate revenue limit income, and are projected to be $113,867,640, or 52.1% of total general fund revenue in fiscal year 2011-12.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Other District Revenues

In addition to *ad valorem* property taxes, the District receives additional local revenues from items such as interest earnings and other local sources. Other local revenues comprised approximately 12% of the District's general fund revenues in 2010-11. Other local revenues include parcel taxes, donations, and a portion of the redevelopment pass-through moneys described below, as well as items such as rent, interest, fees and contracts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Limitations on Revenues—Article XIIIC and Article XIIID of the California Constitution."

Parcel Tax. In May 2009 at an all-mailed ballot election held in the District, over two-thirds of those voting approved a qualified special tax (usually referred to as a "parcel tax") of not more than $144 per parcel per year for seven years ending June 30, 2016. An exemption is provided to parcels owned and occupied by taxpayers aged 65 and older, upon proper application. The 2009 tax measure replaced a measure approved in 2004 at $90 per parcel per year. In 2010-11, the District received $6.6 million in parcel tax revenues from the prior measure (approximately 2.9% of total general fund revenue). Revenues from the renewed tax in 2011-12 are budgeted at $6.7 million. These may be used to remedy cuts in State funding, retain teachers, maintain math, science, literacy and other academic programs, and to purchase instructional equipment, materials and supplies.

Foundation. The San Ramon Valley Education Foundation, a nonprofit public benefit corporation, provides financial support to District schools through individual teacher grants. Grants totaling approximately $117,000 and $194,900 were awarded in 2009-10 and 2010-11, respectively. The support is to supplement, not supplant, the resources available to District programs through normal tax revenues and State funds, and therefore is not properly viewed as an additional District resource. Accordingly, the District does not take the Foundation's funding into account in developing the District's budgets.

Redevelopment Pass-Through Payments. Under California law, a city or county could, and many did, prior to recent California legislation dissolving redevelopment agencies, create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including school districts, from that time forward. Any loss of local property taxes that contribute to the revenue limit target of a revenue limit district is made up by an increase in State equalization aid, until the base revenue limit is reached. "Pass-through" payments of local tax revenues required by law to be paid to the school district by a local redevelopment agency will count toward the revenue limit, except for any portion dedicated to capital facilities or deferred maintenance. Property taxes levied for repayment of local bonds approved after January 1, 1987, are not affected by redevelopment agency claims on local tax increment.

Applicable redevelopment law provided that school districts could negotiate "pass-through agreements" with their local redevelopment agencies in order to receive a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on redevelopment agency tax-increment bonds), and in some cases the pass-through is mandated by statute (in which case it cannot be pledged to pay redevelopment agency bonds). Under current law, the county auditor-controller is required to remit from the redevelopment property tax trust fund created for each former redevelopment agency to each school district recipient of pass-through payments, subject to applicable limitations owing to outstanding tax increment obligations and related enforceable obligations, property tax revenues of the former redevelopment agencies in an amount equal to that which would have been received under applicable redevelopment law in effect on January 1, 2011, or pursuant to any pass-through agreement between a redevelopment agency and the applicable school district that was entered into prior to January 1, 1994, that would be in force during that fiscal year, had the redevelopment agency existed at that time. The amount of such payments to be made is calculated solely on the basis of such enforceable pass-through payment obligations and is required to occur on each January 16 and June 1 through the termination of the respective redevelopment project area. See also "–State Funding of Education; State Budget Process – Dissolution of Redevelopment Agencies" above.

The District expects to receive payments from the redevelopment property tax trust funds established for the former City of San Ramon and Town of Danville Redevelopment Agencies representing its pass-through payments from a redevelopment project area located within the City of San Ramon and Town of Danville of approximately $600,000 per year.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2011, which are included as Appendix B.

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. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Dan & Company, LLP, Pleasanton, California, for fiscal years 2006-07 through 2010-11.

The District's auditor has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2006-07 through 2010-11.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2006-07 through 2010-11

	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
REVENUES					
Revenue limit sources	$133,096,410	$145,915,429	$148,391,231	$135,283,378	$148,049,259
Federal sources	3,869,943	4,322,744	13,552,898	11,722,521	11,943,321
Other state sources	32,595,425	43,932,131	40,088,408	46,410,347	43,276,807
Other local sources	31,756,422	22,861,361	24,155,788	27,128,394	27,648,080
Total Revenues	201,318,200	217,031,665	226,188,325	220,544,640	230,917,467
EXPENDITURES					
Current					
Instruction	128,113,876	138,822,975	144,800,670	147,873,229	143,904,278
Instruction-related activities:					
Supervision of instruction	6,116,704	6,434,860	6,096,257	5,272,509	5,155,587
Instructional library, media and technology	2,630,395	2,887,965	3,138,983	3,567,612	3,995,520
School site administration	14,899,472	16,542,878	16,417,348	16,874,138	17,338,791
Pupil services:					
Home-to-school transportation	3,413,392	2,925,511	3,074,428	3,023,812	3,551,291
Food services	5,946	-	141,028	136	131
All other pupil services	7,610,122	8,685,938	9,137,206	8,942,350	9,365,660
Administration:					
Data processing	2,235,145	2,152,656	1,953,870	1,741,816	1,772,224
All other administration	7,413,034	8,414,064	7,834,808	8,384,908	7,545,773
Plant services	19,859,150	21,444,912	22,310,493	21,956,299	22,822,937
Facility acquisition and construction	224	7,015	248,776	30,141	22,071
Ancillary services	1,943,646	2,579,025	2,515,201	2,342,419	2,439,278
Community services	346,325	320,839	282,529	296,883	229,474
Other outgo	6,809	1,607,957	1,614,458	1,267,286	1,327,044
Debt service					
Principal	205,886	177,533	135,155	390,882	568,253
Interest	338,998	22,241	586,378	745,065	254,225
Total Expenditures	195,130,124	213,026,369	220,287,588	222,709,485	220,292,537
Excess (Deficiency) of Revenues Over Expenditures	6,188,076	4,005,296	5,900,737	(2,164,845)	10,624,930
Other Financing Sources (Uses):					
Transfers in	380,411	-	-	3,953,171	-
Other sources	-	-	-	873,906	865,033
Transfers out	(1,697,795)	(1,506,772)	(2,594,104)	(2,326,082)	(1,479,755)
Other uses	-	-	-	-	-
Net Financing Sources (Uses)	(1,317,384)	(1,506,772)	(2,594,104)	2,500,995	(614,722)
NET CHANGE IN FUND BALANCES	4,870,692	2,498,524	3,306,633	336,150	10,010,208
Fund Balances, July 1	20,273,434	25,144,126	27,642,650	30,949,283	31,285,433
Fund Balances, June 30	$25,144,126	$27,642,650	$30,949,283	$31,285,433	$41,295,641

Source: San Ramon Valley Unified School District Audited Financial Reports for fiscal years 2006-07 through 2010-11.

The following table shows the general fund balance sheet of the District for fiscal years 2006-07 through 2010-11.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
Summary of General Fund Balance Sheet
Fiscal Years 2006-07 Through 2010-11

	Fiscal Year 2006-07	Fiscal Year 2007–08	Fiscal Year 2008–09	Fiscal Year 2009-10	Fiscal Year 2010-11
ASSETS					
Deposits and investments	$22,452,122	$17,436,162	$44,669,797	$46,512,305	$15,731,896
Receivables	11,297,159	14,605,074	15,304,907	17,085,879	27,641,987
Due from other funds	275,616	327,759	57,893	99,432	29,104
Prepaid expenditures	141,186	124,198	120,249	469,058	508,603
Stores inventories	291,463	340,433	228,722	207,360	138,159
Total Assets	$34,457,546	$32,833,626	$60,381,568	$64,374,034	$44,049,749
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$6,492,836	$3,756,957	$3,029,097	$2,822,289	$2,218,861
Due to other funds	2,481,497	1,355,525	233,451	159,354	274,152
Other current liabilities	-	-	25,000,000	30,000,000	-
Deferred revenue	339,087	78,494	1,169,737	106,958	261,095
Total Liabilities	9,313,420	5,190,976	29,432,285	33,088,601	2,754,108
Fund Balances:(1)					
Nonspendable	-	-	-	-	708,762
Restricted	-	-	-	-	3,060,632
Committed	-	-	-	-	9,418,530
Assigned	-	-	-	-	6,698,060
Unassigned	-	-	-	-	21,409,657
Reserved for:					
Legally restricted balances	7,472,623	8,189,859	9,016,871	3,200,657	-
Other reservations	491,899	525,631	409,971	738,418	-
Unreserved:					
Designated	16,712,574	18,806,362	21,522,441	12,325,137	-
Undesignated	467,030	120,798	-	15,021,221	-
Total Fund Balances	25,144,126	27,642,650	30,949,283	31,285,433	41,295,641
Total Liabilities and Fund Balances	$34,457,546	$32,833,626	$60,381,568	$64,374,034	$44,049,749

(1) GASB 54, which became effective for fiscal year 2010-11, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "Committed," "Assigned" and "Unassigned." Had the classifications under GASB 54 been effective in previous fiscal years, the unaudited fund balances would have been as follows: for fiscal year 2006-07: Nonspendable $491,899, Restricted $7,472,623, Committed $0, Assigned $10,526,345 and Unassigned $6,653,259; for fiscal year 2007-08: Nonspendable $525,631, Restricted $8,189,859, Committed $0, Assigned $12,159,640 and Unassigned $6,767,520; for fiscal year 2008-09: Nonspendable $409,971, Restricted $9,016,871, Committed $0, Assigned $18,090,537 and Unassigned $3,431,904; and for fiscal year 2009-10: Nonspendable $738,418, Restricted $3,200,657, Committed $0, Assigned $5,473,530 and Unassigned $21,872,828.

Source: San Ramon Valley Unified School District Audited Financial Reports for fiscal years 2006-07 through 2010-11.

District Budget Process and County Review

State law requires school districts to adopt a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Contra Costa County Superintendent of Schools.

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

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent. The District has not had a budget disapproved, and, except for qualified certifications for its second and third interim reports in fiscal year 2009-10, has not received a qualified or negative certification, in the last five years.

The following table summarizes the District's adopted general fund budgets for fiscal years 2009-10, 2010-11 and 2011-12, unaudited actuals for fiscal years 2009-10 and 2010-11, and second interim report for fiscal year 2011-12.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
(County of Contra Costa, California)
General Fund Budgets for Fiscal Years 2009-10 Through 2011-12, Unaudited Actuals for Fiscal Years 2009-10 and 2010-11 and Second Interim Report for Fiscal Year 2011-12

	2009-10 Original Adopted Budget	2009-10 Unaudited Actuals	2010-11 Original Adopted Budget	2010-11 Unaudited Actuals	2011-12 Original Adopted Budget	2011-12 Second Interim Report
REVENUES						
Revenue Limit Sources	$138,775,527.00	$135,283,377.33	$136,876,506.00	$148,049,259.12	$151,186,900.00	$152,290,712.00
Federal Revenue	10,951,909.00	11,722,520.67	5,214,695.00	11,943,321.02	5,282,643.00	6,960,663.00
Other State Revenue	36,855,841.00	37,749,101.86	35,946,782.00	38,785,610.39	37,399,582.00	39,752,989.00
Other Local Revenue	23,392,724.00	27,248,635.18	24,625,332.00	27,644,867.53	24,723,016.00	28,264,870.00
TOTAL REVENUES	209,976,001.00	212,003,635.04[1]	202,663,315.00	226,423,058.06[1]	218,592,141.00	227,269,234.00
EXPENDITURES						
Certificated Salaries	107,901,661.00	109,633,763.52	104,254,131.00	106,742,110.17	110,510,804.00	112,994,826.00
Classified Salaries	33,330,956.00	33,279,227.02	34,240,645.00	34,355,838.35	34,345,343.00	35,812,876.00
Employee Benefits	42,276,894.00	42,672,438.37	44,799,180.00	44,194,524.93	48,676,033.00	48,655,886.00
Books and Supplies	7,870,655.00	9,869,096.00	7,567,369.00	8,944,628.28	9,006,400.00	14,168,566.00
Services, Other Operating Expenses	21,110,382.00	20,759,106.52	19,460,748.00	19,458,795.19	18,470,289.00	21,994,171.00
Capital Outlay	290,754.00	220,786.75	313,945.00	182,142.19	492,609.00	1,339,760.00
Other Outgo (excluding Direct Support/Indirect Costs)	1,390,929.00	1,669,183.58	1,706,536.00	1,924,308.41	1,861,148.00	1,937,918.00
Other Outgo - Transfers of Indirect Costs	(998.00)	(983.86)	(977.00)	(1,007.88)	(967.00)	(967.00)
TOTAL EXPENDITURES	214,171,243.00	218,102,617.90[1]	212,341,577.00	215,801,339.64[1]	223,371,659.00	236,903,036.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,195,242.00)	(6,098,982.86)	(9,678,262.00)	10,621,718.42	(4,779,518.00)	(9,633,802.00)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	3,953,171.16	-	-	-	1,364.00
Inter-fund Transfers Out	1,350,000.00	2,326,081.76	1,261,000.00	1,479,755.30	1,860,320.00	1,859,063.00
Other Sources (Uses)	-	873,906.35	-	865,033.14	-	283,957.00
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(1,350,000.00)	2,500,995.75	(1,261,000.00)	(614,722.16)	(1,860,320.00)	(1,573,742.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(5,545,242.00)	(3,597,987.11)	(10,939,262.00)	10,006,996.26	(6,639,838.00)	(11,207,544.00)
BEGINNING BALANCE, as of July 1	18,624,993.48	34,723,389.30	23,211,555.96	31,285,432.92	32,696,059.92	41,295,642.18
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	18,624,993.48	34,723,389.30	23,211,555.96	31,285,432.92	32,696,059.92	41,295,642.18
Other Restatements	-	160,030.73	-	3,213.00	-	(29,082.67)
Adjusted beginning Balance	18,624,993.48	34,883,420.03	23,211,555.96	31,288,645.92	32,696,059.92	41,266,559.51
ENDING BALANCE	$13,079,751.48	$31,285,432.92	$12,272,293.96	$41,295,642.18	$26,056,221.92	$30,059,015.51

[1] Total revenues and total expenditures do not match the District's audited financial statements because the District does not include contributions of 4.267% of teacher payroll to the State Teachers' Retirement System made by the State on behalf of the District in its internal financial reports, amounting to $4,606,867 and $4,491,197 in fiscal years 2009-10 and 2010-11, respectively. The District's audited financial statements include such amounts as revenues and as expenditures. In addition, the District made a downward adjustment to its fiscal year 2008-09 revenues and, therefore, an upward adjustment to its fiscal year 2009-10 revenues in its audited financial statements to reflect a legislative reduction of State categorical funds in the amount of $3,774,106 after the close of the District's 2008-09 fiscal year. The District did not make such adjustment in its unaudited actuals. Finally, in fiscal year 2009-10, the District had net adjustments to its Other State Revenues and Other Local Revenues of $160,030.73, consisting of a write-off of uncollected community revenues of $120,241 and collected prior year state revenues of $280,272.
Source: San Ramon Valley Unified School District Adopted general fund Budgets for fiscal years 2009-10, 2010-11 and 2011-12; unaudited actuals for fiscal years 2009-10 and 2010-11; and second interim report for fiscal year 2011-12.

District Debt Structure

Long-Term Debt Summary. A schedule of the District's long-term obligations for the year ended June 30, 2011, consisted of the following:

Long-Term Debt	Balance June 30, 2011	Due Within One Year
General obligation bonds[1]	$303,563,367	$10,380,000
Early retirement incentive	421,049	103,841
Lease revenue bonds	25,000,000	360,000
Accumulated vacation - net	1,706,322	-
Capital leases	1,230,238	490,910
Postemployment benefits	7,055,997	-
Subtotal	338,976,973	11,334,751
Premiums, net of amortization	8,740,776	-
Total	$347,717,749	$11,334,751

(1) A portion of the Series 2003 Bonds, the Series 2004 Bonds and the Series 2006 Bonds are to be refunded with proceeds of the Refunding Bonds. See "THE REFUNDING BONDS – Plan of Finance."
Source: San Ramon Valley Unified School District Audited Financial Reports for fiscal year 2010-11.

Payments for general obligation bonds are made by the District's interest and sinking fund with local *ad valorem* tax revenues. Payments for early retirement incentive are made out by the general fund. Capital lease payments are made by the general and building funds. Accumulated vacation will be paid for by the funds for which the employee worked. Payment for OPEB obligations are made from retiree benefit trust.

General Obligation Bonds. Without regard to the issuance of the Refunding Bonds, the District has four series of bonds outstanding, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District. The following table summarizes the District's bonds that were outstanding as of June 30, 2011:

Bond[1]	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Bonds Outstanding June 30, 2011
1998 Authorization, Series A	7/9/1998	4.90-5.25%	2018	$ 70,000,000	$ 56,438,367[2]
2002 Authorization, Series 2003	3/20/2003	3.40-5.4%	2028	72,000,000	59,625,000
2002 Authorization, Series 2004	10/28/2004	5-5.25%	2029	100,000,000	99,500,000
2002 Authorization, Series 2006	8/2/2006	4.5-5%	2031	88,000,000	88,000,000
Total					$303,563,367

(1) A portion of the Series 2003 Bonds, the Series 2004 Bonds and the Series 2006 Bonds are to be refunded with proceeds of the Refunding Bonds. See "THE REFUNDING BONDS – Plan of Finance."
(2) Represents outstanding original principal amount of $29,337,291.70 plus accreted interest through June 30, 2011.
Source: San Ramon Valley Unified School District Audited Financial Reports for fiscal year 2010-11.

See also "THE REFUNDING BONDS—Plan of Finance" and " – Aggregate Debt Service" in the front portion of this Official Statement for the annual debt service requirements for these bonds.

Lease Revenue Bonds. On July 20, 2010, the District entered into a lease obligation and caused $25,000,000 of related federally taxable lease revenue bonds to be issued with interest ranging from 2.397 – 6.254%. The lease obligation was entered into to finance the construction of solar panels at several school sites. Interest with respect to the District's lease obligation is payable semi-annually on each November 1 and May 1, through the final maturity of the bonds on May 1, 2027. At June 30, 2011, the principal balance outstanding was $25,000,000.

The lease revenue bonds were issued as "qualified school construction bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), and the District expects to receive a cash subsidy payment from the United States Treasury (the "Treasury") equal to a portion of the interest due on each interest payment date on such bonds. The subsidy does not constitute a full faith and credit guarantee of the United States with respect to such bonds, but, assuming the District satisfies the requirements of the Internal Revenue Code of 1986, the subsidy is required to be paid by the Treasury under the Recovery Act. Any subsidy payments received by the District will offset the interest cost of the District under the related lease obligation. The District makes no assurances about the effect of future legislative or policy changes or tax liabilities of the District on the amount or receipt of the subsidy payments from the Treasury.

The District's lease obligation through fiscal year 2026-27 is as follows:

Year Ended June 30	Principal	Interest	Total
2012	$ 360,000.00	$ 1,350,362.56	$ 1,710,362.56
2013	1,615,000.00	1,341,733.36	2,956,733.36
2014	1,615,000.00	1,295,431.30	2,910,431.30
2015	1,615,000.00	1,238,583.30	2,853,583.30
2016	1,615,000.00	1,173,660.30	2,788,660.30
2017	1,615,000.00	1,100,597.70	2,715,597.70
2018	1,615,000.00	1,021,075.10	2,636,075.10
2019	1,615,000.00	936,223.00	2,551,223.00
2020	1,620,000.00	844,103.40	2,464,103.40
2021	1,630,000.00	751,698.60	2,381,698.60
2022	1,635,000.00	655,463.40	2,290,463.40
2023	1,650,000.00	555,663.00	2,205,663.00
2024	1,665,000.00	452,472.00	2,117,472.00
2025	1,690,000.00	341,682.90	2,031,682.90
2026	1,710,000.00	229,230.30	1,939,230.30
2027	1,735,000.00	115,446.90	1,850,446.90
Totals	$25,000,000.00	$13,403,427.12	$38,403,427.12

Source: San Ramon Valley Unified School District.

Early Retirement Incentive. In January 2010, the District entered into agreements with certain employees retiring from the District effective at June 30, 2010 to provide a supplemental early retirement plan to each of the 35 retiring employees. The agreement calls for monthly installments to be paid within the next five years beginning August 1, 2010 towards post-retirement benefits equal to the amount of the single party Kaiser District health plan or once Medicare eligible, single party Kaiser Senior Advantage District health plan. As of June 30, 2011, the outstanding balance was $421,049.

Accumulated Unpaid Employee Vacation. The long-term portion of accumulated unpaid employee vacation or the District at June 30, 2011 amounted to $1,706,322.

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

	Cars/ Trucks	All Weather Track & Synthetic Turf	Computers	Relocatables	PG&E/HVAC Lighting Retrofit	Total
Balance, July 1, 2010	$145,764	$415,257	$623,383	$ -	$ -	$1,184,404
Additions	-	-	677,901	205,390	187,132	1,070,423
Payments	145,764	415,257	422,490	41,078	-	1,024,589
Balance, July 1, 2011	$ -	$ -	$878,794	$164,312	$187,132	$1,230,238

Source: San Ramon Valley Unified School District Audited Financial Reports for fiscal year 2010-11.

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	$ 524,394
2013	428,498
2014	217,078
2015	78,504
2016	37,427
Total	1,285,901
Less: Amount Representing Interest	55,663
Present Value of Minimum Lease Payments	$1,230,238

Leased equipment under capital leases in capital assets and accumulated depreciation at June 30, 2011, include the following:

Equipment	$3,879,133
Less: Accumulated depreciation	(1,595,055)
Total	$2,284,078

Source: San Ramon Valley Unified School District Audited Financial Reports for fiscal year 2010-11.

Other Post-Employment Benefits. In addition to the pension benefits described below, the District provides post-employment health benefits for eligible employees of all of its bargaining units except California School Employees Association Unit III, employees working less than 50% full-time, and California School Employees Association Unit II employees hired on or after October 1, 2002. In general, eligibility requires retirement from Cal PERS or CalSTRS on or after age 55 with at least ten years of District eligible service. The District also provides retiree health benefits for eligible management and confidential employees hired before July 1, 2004. The District contribution for these eligible retirees varies by date of employment and date of retirement.

Beginning in fiscal year 2007-08, the District was required to implement Governmental Accounting Standards Board Statement No. 45 ("GASB 45") which directs certain changes in accounting for post-employment health benefits (OPEBs) in order to quantify a government agency's current liability for future benefit payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations. In October 2011, The Eppler Company, San Diego, California, completed two studies of the District's outstanding postemployment benefit obligations as of July 1, 2011; one for the bargaining units, and one for management and confidential employees.

Bargaining Unit Members. The report calculates the value of all future benefits already earned by current retirees and current employees, known as the “actuarial accrued liability” (AAL). As of the date of the report, the District had an actuarial accrued liability of approximately $50.2 million for 655 current bargaining unit retirees and beneficiaries and 1,859 additional future participants. The AAL is an actuarial estimate that depends on a variety of assumptions about future events such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the “normal cost”, which is added to the AAL. The report estimated the normal cost at $1.5 million as of July 1, 2011. To the extent that the District has not set aside moneys in an OPEB trust with which to pay these accrued and accruing future liabilities, there is an unfunded actuarial accrued liability (UAAL). As of the date of the report, the District had set aside approximately $14.4 million in such a trust (the California Employers’ Retiree Health Benefit Trust), leaving $35.8 million unfunded. The District has budgeted an additional fiscal year 2011-12 contribution to the OPEB trust of $2.0 million. The annual required contribution (ARC) is the amount required if the District were to fund each year’s normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the UAAL will be fully funded over a 26 year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. The report determined the 2011-12 ARC to be $3.6 million. In 2010-11, the District funded $1.9 million toward current and future benefit costs for bargaining unit members.

Management and Confidential Employees. As of the date of the report, the District had an actuarial accrued liability of approximately $6.1 million for 61 current management and confidential retirees and beneficiaries and 106 additional future participants. The report estimated the normal cost at $4,962, for the year ending July 1, 2012. As of the date of the report, the District had set aside approximately $3.32 million in an OPEB trust, leaving $2.79 million unfunded. The report determined the 2011-12 ARC to be $173,566. In 2010-11, the District funded $285,000 toward current and future benefit costs for management and confidential employees.

For more information regarding the actuarial valuations, the District’s annual required contribution for 2011-12 and the District’s net OPEB obligation and prefunding of benefits at June 30, 2011, as well as the basic assumptions upon which the valuation was based, see Note 10 to the District’s financial statements attached hereto as APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011.”

Tax and Revenue Anticipation Notes. To address predictable annual cash flow deficits resulting from the different timing of revenues and expenditures, the District has issued tax and revenue anticipation notes in each year shown in the table below. The District’s notes are a general obligation of the District, payable from the District’s general fund and any other lawfully available moneys. The District did not issue tax and revenue anticipation notes for fiscal year 2004-05, 2006-07, 2007-08, 2010-11 or 2011-12.

Issuance Date	Principal Amount	Interest Rate	Yield	Due Date
11/18/2003	$18,700,000	1.205%	1.48%	11/17/2004
10/18/2005	23,920,000	4.25	2.965	10/25/2006
11/18/2008	25,000,000	3.25	1.28	11/17/2009
11/17/2009	30,000,000	2.00	0.40	11/16/2010

Source: San Ramon Valley Unified School District.

Labor Relations

As of June 30, 2011, the District employed 2,185 full-time equivalent employees (FTEs), consisting of 1,394 non-management certificated FTEs, 80 certificated management FTEs, 690 classified non-management FTEs, and 21 classified management FTEs. For the year ended June 30, 2011, the total certificated and classified payrolls are estimated to be approximately $106,742,110 and $34,355,838, respectively.

The District's certificated and classified employees are represented by four formal bargaining organizations as shown in the table below. In addition, certain supervisors and management employees, an aggregate of 101 FTE positions, are not represented by an exclusive bargaining agent. Salaries and benefits for supervisors, management and confidential employees are determined through an informal process of "meet and confer" with representatives from each of these classifications.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
San Ramon Valley Education Association	1,394	June 30, 2013
California School Employees Association Unit II	214	June 30, 2010[1]
California School Employees Association Unit III	303	June 30, 2010[1]
Service Employees International Union	173	June 30, 2013

[1] The District is currently negotiating new contracts with each CSEA unit and expects to, but cannot guarantee that it will, reach satisfactory agreements.
Source: San Ramon Valley Unified School District.

Retirement Benefits

The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a $118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional $92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial $23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

As of June 30, 2010, an actuarial valuation for the entire system, including enhanced benefits, showed an estimated unfunded actuarial liability of $56.0 billion, an increase of $15.5 billion from the June 30, 2009 valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005-06 Proposed State Budget and the 2005-06 May Revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to such prior proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been previously suggested that would modify the District's obligation to make contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If such proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially. Governor Brown, however, has recently proposed measures that could, if adopted, lower future pension obligations of the District. See *"−Governor's Pension Reform Proposal"* below.

The District's employer contributions to CalSTRS for fiscal years 2007-08, 2008-09, 2009-10 and 2010-11 were $9,207,461, $8,765,652, $8,850,010 and $8,697,786, respectively, and were equal to 100% of the required contributions for each year. The District has budgeted employer contributions to CalSTRS of $9,074,639 for fiscal year 2011-12.

CalPERS. All qualifying classified employees of K through 12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2010, the CalPERS Plan for Schools had a funded ratio of 69.5% on a market value of assets basis. The funded ratio as of June 30, 2009, June 30, 2008 and June 30, 2007 was 65.0%, 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

On March 14, 2012, the CalPERS Board of Administration voted to reduce the discount rate, which is the fund's assumed rate of return calculated based on expected price inflation and the expected real rate of return, from 7.75% to 7.5%. According to CalPERS, this reduction in the discount rate is anticipated to increase State and school district employer contributions for each fiscal year beginning in fiscal year 2012-13 by 1.2 to 1.6% for miscellaneous plans (which includes general office and others) and by 2.2 to 2.4% for safety plans.

The District's employer contributions to CalPERS for fiscal years 2007-08, 2008-09, 2009-10 and 2010-11 were $2,772,273, $2,919,738, $3,005,212 and $3,355,634, respectively, and were equal to 100% of the required contributions for each year. The District has budgeted employer contributions to CalPERS of $3,502,905 for fiscal year 2011-12. With the approval of the reduced discount rate by the CalPERS Board of Administration, the District's employer contributions to CalPERS is expected to increase beginning in fiscal year 2012-13.

Governor's Pension Reform Proposal. Governor Brown has proposed his "Twelve Point Pension Reform Plan," which the Governor hopes will be considered by the legislature and by statewide initiatives in 2012. These proposals include, among other things, increasing the contributions by employees to their pensions, changing the structure of pensions by including a defined contribution component to CalSTRS and CalPERS and revising the method of calculating an employee's benefit level. The District cannot predict the final form of these proposals or whether they will be adopted into law. However, if adopted, these measures could lower future pension obligations of the District.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011, Note 12."

GASB 25 and 27. On July 8, 2011, the Governmental Accounting Standards Board ("GASB") released its exposure draft of proposed changes in pension accounting and financial reporting standards for state and local governments (GASB 25 and 27), and if implemented, these changes will impact the accounting treatment of pension plans, such as CalSTRS and CalPERS, in which state and local governments, like the District, participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Following public comments on the exposure draft in 2011, new standards could be adopted in final form in 2012 and are expected to take effect in fiscal years beginning mid-2013 for most employers. The District cannot predict whether GASB will implement these proposed changes in its accounting standards.

Joint Ventures

The District participates in three joint ventures under joint powers agreements ("JPA's"): Contra Costa County School Insurance Group, Northern California Regional Excess Liability Fund and the School Excess Liability Fund public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. The relationship between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs arrange for and provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, 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 each JPA. See APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011, Note 14."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA 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 (i) indebtedness approved by the voters prior to July 1, 1978, (ii) 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, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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." This 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 2% 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.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is 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

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental 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 appropriation 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.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2010-11 fiscal year are equal to the allowable limit of $144,981,197 and estimates an appropriations limit for the 2011-12 fiscal year of $150,403,667. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K through 12 school districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9% percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

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APPENDIX B

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

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San Ramon Valley Unified School District

Annual Financial Report

June 30, 2011

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SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
San Ramon Valley Unified School District
Danville, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Ramon Valley Unified School District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

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

The unaudited supplementary information listed in the table of contents, including the assessed valuation of taxable properties and secured tax school district boundaries is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
October 31, 2011

This section of San Ramon Valley Unified School District's 2011 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 District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

The *Fiduciary Activities* include the retiree benefits trust fund and agency funds. The retiree benefits trust fund is prepared using the economic resources measurement focus and the accrual basis of accounting. The agency funds report a balance sheet and do not have a measurement focus.

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

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

REPORTING THE DISTRCT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $791,638,322, and $785,052,562 for the fiscal years ended 2011 and 2010 respectively. Of this amount, $36,460,654 and $23,692,688 was unrestricted for the fiscal years ended 2011, and 2010, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2011	**2010**
Current and other assets	$ 124,924,544	$ 153,792,590
Capital assets	1,029,483,667	1,037,971,145
Total Assets	1,154,408,211	1,191,763,735
Current liabilities	25,968,554	72,674,763
Claims payable	418,337	479,986
Long-term debt	336,382,998	333,556,424
Total Liabilities	362,769,889	406,711,173
Net assets		
Invested in capital assets, net of related debt	737,909,995	740,028,964
Restricted	17,267,673	21,330,910
Unrestricted	36,460,654	23,692,688
Total Net Assets	$ 791,638,322	$ 785,052,562

The $36,460,654 unrestricted net assets of governmental activities represent the accumulated results of all past years' operations.

Statement of Activities

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

Table 2

	Governmental Activities	
	2011	**2010**
Revenues		
Program revenues		
Charges for services	$ 6,606,588	$ 6,278,399
Operating grants and contributions	48,680,491	31,113,426
Capital grants and contributions	7,632,509	24,783,778
General revenues:		
Federal and State aid not restricted	54,083,590	40,521,636
Property taxes	143,555,576	142,216,536
Other general revenues	9,356,264	43,317,787
Total Revenues	$ 269,915,018	$ 288,231,562
Expenses		
Instruction related	$ 200,502,522	$ 202,722,689
Student support services	18,712,616	17,329,715
Administration	12,011,014	10,069,371
Maintenance and operations	25,282,219	23,908,988
Other	20,746,516	22,877,704
Total Expenses	277,254,887	276,908,467
Change in Net Assets	$ (7,339,869)	$ 11,323,095

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year were $277,254,887 and $276,908,467 for the fiscal years ended 2011 and 2010, respectively. The cost paid by those who benefited from the programs was $6,606,588 and $6,278,399 respectively. Operating and Capital grants and contributions subsidized certain programs in the amount of $56,313,000, and $55,897,204 respectively. We paid for the remaining "public benefit" portion of our governmental activities with $143,555,576, and $142,216,536 in taxes, unrestricted Federal and State aid of $54,083,590, and $40,521,636 and other revenues of $9,356,264 and $43,317,787 for the fiscal years ended 2011 and 2010, respectively.

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's 5 largest functions - instruction related, student support services, administration, maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Cost of Services	
	2011	**2010**
Instruction Related	$ 149,743,966	$ 152,328,743
Student Support services	7,642,849	7,263,141
Administration	11,933,973	9,402,433
Maintenance and operations	25,191,666	23,862,147
Other	19,822,845	21,876,400
Net Cost	$ 214,335,299	$ 214,732,864

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $114,845,932, which is an increase of $22,252,361 from the prior year.

The primary changes are:

a. The fund balance in the General Fund increased $10,010,208. This was primarily due to increased revenue from the receipt of Federal Jobs Bill funds, additional State Fiscal Stabilization Funding and Mandated Cost payments. The District experienced rapid growth with enrollment increasing 1,053 students from October 2009 to October 2010. In addition, costs were curtailed including two furlough days.
b. The Building Fund increased $10,846,095. This was due to the $25 million solar project financing and a draw-down of Measure A funds as projects were completed.
c. Our Special Revenue Funds increased $689,951. This was the result of the following: An increase in the Deferred Maintenance Fund of $405,443 due to deferral of projects to the summer months, an increase in the Special Reserve Fund of $247,316 due to set-asides for Dougherty Valley High School tennis courts and Diablo Vista field maintenance, an increase of $32,293 in the Cafeteria Fund due to improved performance; and an increase of $4,899 in the Adult Education Fund.
d. The Capital Facilities Fund decreased $807,021. This was due to the purchase and installation of relocatables and, the building of 4 classrooms and covered walkway at Diablo Vista Middle School.
e. The Debt Service Fund increased $1,513,128 in anticipation of the increased debt service due July 1st and August 1st of 2011.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on October 18, 2011. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 49).

The District originally projected a decrease in general fund net assets of $10,939,262. This was later revised to an increase of $9,776,354. Total revenues were revised to include revenues not anticipated at the time of the original budget adoption. Likewise, with the increase in anticipated revenues, the expenditures were also increased. In comparing the revised budget to the actual results, revenue came in $144,790 less and expenditures were $378,644 less than anticipated. This resulted in a $233,854 increase in the ending fund balance over budget. This was due to State changes in revenue limit funding, additional ARRA SFSF funding, and reduced expenses. These funds will be carried over to the next fiscal year.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

The District had $1,029,483,667 and $1,037,971,145 net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, and furniture and equipment for the fiscal years ended 2011 and 2010. The current amount represents a net decrease (including additions, deductions and depreciation) of $8,487,478 or .8 percent compared to the prior year.

Table 4

	Governmental Activities	
	2011	2010
Land	$ 336,607,628	$ 336,607,628
Land Improvements	16,926,583	17,993,371
Buildings & improvements	662,186,020	617,318,976
Equipment	5,396,147	6,077,118
Construction in progress	8,367,289	59,974,052
Totals	$ 1,029,483,667	$ 1,037,971,145

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

	2011	2010
Creekside School	$ -	$ 19,066,734
Diablo Vista Teen Center	-	125,208
Golden View Modernization	-	290,214
Education Center Portable	-	34,730
Vista Grande Expansion	-	91,532
Pine Valley Modernization	-	30,768,889
Cal High Classrooms/HVAC/Technology	-	623,999
Vista Grande Field	-	337,836
Monte Vista Pool Awning	-	13,206
Tassajara Hills Traffic Signal	-	10,521
San Ramon Valley High Track	-	159,534
California High School Electives Building	23,430,944	-
San Ramon High Gym	11,564,186	-
California High School Gym - new	16,195,989	-
California High School Modernization of Gym	5,767,746	-
Twin Creeks Multipurpose Room	3,903,517	-
San Ramon High Career Tech Building	3,623,149	-
Los Cerros Modernization	2,081,406	-
Charlotte Wood Science Conversion	1,193,425	-
Diablo Vista 4 Classrooms and covered walkway	1,110,206	-
Professional Development Center	436,068	-
Charlotte Wood Roof	608,110	-
San Ramon High Admin and Science Building dryrot repair	367,580	-
San Ramon High restroom addition	73,225	-
Windemere Ranch Teen Center	56,067	-
Green Valley Technology Upgrade	41,252	-
Cal ifornia High Athletic Field	909,643	-
Monte Vista Athletic Field	800,071	-
San Ramon Athletic Field	748,938	-
San Ramon Field Lights	499,302	-
Neil Armstrong hardscape	86,571	-
Totals	$ 73,497,395	$ 51,522,403

A number of capital projects are planned for the 2011-12 year. We anticipate capital additions to be approximately $18.7 million for the 2011-12 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $347,717,749 long-term obligations versus $340,771,819 last year, an increase of 4.6 percent. These obligations consisted of:

	Governmental Activities	
	2011	**2010**
General obligation bonds	$ 303,563,367	$ 323,629,318
Early Retirement Incentive	421,049	519,871
Lease Revenue Bonds	25,000,000	-
Capitalized lease obligations	1,230,238	1,184,404
Net OPEB Obligation	7,055,997	4,399,641
Other	10,447,098	11,038,585
Totals	$ 347,717,749	$ 340,771,819

The District's bond rating from Standard & Poor's is "AA-." The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $303,563,367 is significantly below this $841 million statutorily - imposed limit.

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

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2010-11 ARE NOTED BELOW:

This was the second year the District used funds from the parcel tax passed in April 2009. The tax is $144 per parcel for seven years and generated $6.6 million in revenue in the 2010-11 school year.

The District continues to experience rapid growth in the student population. The October 2010 student enrollment count was 28,960 students. This is an increase of 1,053 students over October 2009 enrollment.

In July, 2010 the Joint Powers Financing Authority sold $25 Million of Federally Taxable Lease Revenue Bonds. This financing allowed the District to construct parking structures with solar panels at each of the District's comprehensive high schools as well as Diablo Vista Middle School. This will enable to District to benefit from reduced utility costs. The project is anticipated to be completed the first part of October 2011.

Despite State budget constraints, the District was able to maintain K3 class size at 26:1 and add prep time for teachers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2011-12 year, the District Board and management used the following criteria:

The key assumptions in our revenue projections were:

- An unfunded statutory COLA of 2.24% or $143 per ADA with a deficit factor of 19.754%. This results in a funded revenue limit per ADA of $5,199.69.
- Student enrollment growth of 1.73%, or about 500 students over 2010-11 October enrollment.
- The parcel tax will continue to provide the District with $6.6 million in revenue
- State categorical programs were budgeted at the 2010-11 amounts.
- The District will use the categorical flexibility granted by the State.

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

	Staffing Ratio	Enrollment
Grades kindergarten through third	26: 1	8,746
Grades four and five	30: 1	4,559
Grades six through eight	29: 1	6,668
Grades nine through twelve	28: 1	8,662
Venture		350
Del Amigo		59
SDC		447

The key assumptions in our expenditure forecast are:

1. Teacher staffing will be provided at the above ratios.
2. Health & Welfare insurance rates will increase 12% effective with the January premium payment.
3. Flexibility provisions will be utilized to reduce the funding to Routine Restricted Maintenance and Deferred Maintenance by $2.4 million
4. The District will "sweep" almost $3 million in Tier III categorical funding.
5. The 3% Reserve for Economic Uncertainties will be maintained.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Deposits and investments	$ 92,834,447
Receivables	28,927,941
Prepaid expenses	508,603
Deferred charges	2,492,135
Stores inventories	161,418
Capital assets not depreciated	344,974,917
Capital assets, net of accumulated depreciation	684,508,750
Total Assets	1,154,408,211
LIABILITIES	
Accounts payable	5,556,223
Claim liabilities	418,337
Interest payable	8,816,485
Deferred revenue	261,095
Current portion of long-term obligations	11,334,751
Noncurrent portion of long-term obligations	336,382,998
Total Liabilities	362,769,889
NET ASSETS	
Invested in capital assets, net of related debt	737,909,995
Restricted for:	
Educational programs	3,060,632
Debt service	8,171,778
Capital projects	4,469,607
Other activities	1,565,656
Unrestricted	36,460,654
Total Net Assets	$ 791,638,322

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 173,093,892	$ 1,458,822	$ 37,786,517	$ 7,632,509	$ (126,216,044)
Instruction-related activities:					
Supervision of instruction	5,190,064	26,963	2,239,585	-	(2,923,516)
Instructional library, media, and technology	4,467,820	53,831	1,405,935	-	(3,008,054)
School site administration	17,750,746	-	154,394	-	(17,596,352)
Pupil services:					
Home-to-school transportation	3,681,986	464	569,512	-	(3,112,010)
Food services	5,573,991	5,041,651	620,471	-	88,131
All other pupil services	9,456,639	13,648	4,824,021	-	(4,618,970)
General administration:					
Data processing	1,934,863	-	-	-	(1,934,863)
All other general administration	10,076,151	497	76,544	-	(9,999,110)
Plant services	25,282,219	-	90,553	-	(25,191,666)
Ancillary services	2,477,782	-	-	-	(2,477,782)
Community services	234,370	-	-	-	(234,370)
Enterprise services	2,260	-	-	-	(2,260)
Interest on long-term obligations	16,705,060	-	-	-	(16,705,060)
Other outgo	1,327,044	10,712	912,959	-	(403,373)
Total Governmental-Type Activities	$ 277,254,887	$ 6,606,588	$ 48,680,491	$ 7,632,509	(214,335,299)
	General revenues and subventions:				
	Property taxes, levied for general purposes				113,487,645
	Property taxes, levied for debt service				22,802,968
	Taxes levied for other specific purposes				7,264,963
	Federal and State aid not restricted to specific purposes				54,083,590
	Interest and investment earnings				333,766
	Interagency revenues				(16,914,297)
	Miscellaneous				25,936,795
	Subtotal, General Revenues				206,995,430
	Change in Net Assets				(7,339,869)
	Net Assets - Beginning				785,052,562
	Restatement				13,925,629
	Net Assets - Ending				$ 791,638,322

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Funds	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 15,731,896	$ 48,799,966	$ 16,978,221	$ 9,857,207	$ 91,367,290
Receivables	27,641,987	840,051	10,042	125,195	28,617,275
Due from other funds	29,104	70,888	-	213,387	313,379
Prepaid expenditures	508,603	-	-	-	508,603
Stores inventories	138,159	-	-	23,259	161,418
Total Assets	$ 44,049,749	$ 49,710,905	$ 16,988,263	10,219,048	$ 120,967,965
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,218,861	$ 2,739,557	$ -	$ 589,141	$ 5,547,559
Due to other funds	274,152	10,639	-	28,588	313,379
Deferred revenue	261,095	-	-	-	261,095
Total Liabilities	2,754,108	2,750,196	-	617,729	6,122,033
Fund Balances:					
Nonspendable	708,762	-	-	23,259	732,021
Restricted	3,060,632	46,960,709	16,988,263	4,661,970	71,671,574
Committed	9,418,530	-	-	4,916,090	14,334,620
Assigned	6,698,060	-	-	-	6,698,060
Unassigned	21,409,657	-	-	-	21,409,657
Total Fund Balances	41,295,641	46,960,709	16,988,263	9,601,319	114,845,932
Total Liabilities and Fund Balances	$ 44,049,749	$ 49,710,905	$ 16,988,263	$ 10,219,048	$ 120,967,965

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 114,845,932**
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 1,241,872,515	
Accumulated depreciation is	(212,399,207)	
Net Capital Assets		1,029,473,308
Expenditures relating to debt issuance costs were recorded as deferred charges expenditures and amortized over the life of the bonds in the government-wide statements, but are expensed in the year debt is issued on the governmental fund statements.		2,492,135
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(8,815,697)
An internal service fund is used by the District's management to charge the costs of the health and welfare and property and liability insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		1,360,393
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
Bonds payable	$ 303,563,367	
Bond premiums/discounts, net of amortization	8,740,776	
Revenue lease bond payable	25,000,000	
Capital leases payable	1,230,238	
Compensated absences (vacations)	1,706,322	
Net OPEB obligation	7,055,997	
Early Retirement Incentive	421,049	
Total Long-Term Obligations		(347,717,749)
Total Net Assets - Governmental Activities		**$ 791,638,322**

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	$ 148,049,259	$ -	$ -	$ -	$ 148,049,259
Federal sources	11,943,321	-	-	583,083	12,526,404
Other state sources	43,276,807	-	160,161	7,659,683	51,096,651
Other local sources	27,648,080	2,021,986	22,671,508	5,984,188	58,325,762
Total Revenues	230,917,467	2,021,986	22,831,669	14,226,954	269,998,076
EXPENDITURES					
Current					
Instruction	143,904,278	-	-	23,170	143,927,448
Instruction-related activities:				-	
Supervision of instruction	5,155,587	-	-	-	5,155,587
Instructional library, media and technology	3,995,520	-	-	-	3,995,520
School site administration	17,338,791	-	-	-	17,338,791
Pupil services:				-	
Home-to-school transportation	3,551,291	-	-	-	3,551,291
Food services	131	-	-	5,629,827	5,629,958
All other pupil services	9,365,660	-	-	-	9,365,660
Administration:				-	
Data processing	1,772,224	-	-	-	1,772,224
All other administration	7,545,773	-	-	1,007	7,546,780
Plant services	22,822,937	-	-	1,138,185	23,961,122
Facility acquisition and construction	22,071	21,925,197	-	1,547,661	23,494,929
Ancillary services	2,439,278	-	-	-	2,439,278
Community services	229,474	-	-	-	229,474
Other outgo	1,327,044	-	-	-	1,327,044
Debt service				-	
Principal	568,253	419,191	8,900,001	37,145	9,924,590
Interest	254,225	1,065,511	12,418,540	-	13,738,276
Total Expenditures	220,292,537	23,409,899	21,318,541	8,376,995	273,397,972
Excess (Deficiency) of Revenues Over Expenditures	10,624,930	(21,387,913)	1,513,128	5,849,959	(3,399,896)
Other Financing Sources (Uses):					
Transfers in	-	7,632,509	-	1,479,755	9,112,264
Other sources	865,033	25,019,665	-	185,725	26,070,423
Transfers out	(1,479,755)	-	-	(7,632,509)	(9,112,264)
Other uses	-	(418,166)	-	-	(418,166)
Net Financing Sources (Uses)	(614,722)	32,234,008	-	(5,967,029)	25,652,257
NET CHANGE IN FUND BALANCES	10,010,208	10,846,095	1,513,128	(117,070)	22,252,361
Fund Balance - Beginning	31,285,433	36,114,614	15,475,135	9,718,389	92,593,571
Fund Balance - Ending	$ 41,295,641	$ 46,960,709	$ 16,988,263	9,601,319	$ 114,845,932

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ 22,252,361**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (28,390,874)	
Capital outlays	22,646,036	
Net Expense Adjustment		(5,744,838)
In the governmental funds, revenue received from long-term receivables are recorded in the year received. These amounts reduce the long-term receivables in the year received on the statement of net assets and does not affect the statement of activities.		(87,997)
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(2,740,379)
Expenditures relating to debt issuance costs were recorded as deferred charges expenditures and amortized over the life of the bonds in the government-wide statements, but are expensed in the year debt is issued on the governmental fund statements.		418,166
Proceeds received from new debts are revenues in the governmental funds, increases long term liabilities in the statement of net assets and do not affect the statement of activities.		(26,070,423)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned.		89,190
Payment of bond issuance costs is an expenditure in the governmental funds, but it is recorded as a deferred charge and amortized on the statement of net assets over the life of the bonds.		(160,182)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.		
General Obligation Bonds	$ 8,900,000	
Capital Lease Payable	1,024,589	
Early Retirement Incentive	98,822	10,023,411
Amortization of discounts on bonds are expenditures in the governmental funds, but increase the liability in the statement of net assets and are amortized over the life of the bond in the statement of activities.		502,297
Interest on long-term obligation is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(3,308,898)
In the statement of activities, unfunded Annual Required Contribution (ARC) is recognized as an expense, but is not recognized in the governmental funds.		(2,656,356)
An internal service fund is used by the District's management to charge the costs of the health and welfare and the property insurance program to the individual funds. The net income of the internal service fund is reported with governmental activities.		143,779
Change in Net Assets of Governmental Activities		**$ (7,339,869)**

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$	1,467,157
Receivables		309,878
Total Current Assets		1,777,035
Noncurrent Assets		
Furniture and equipment (net)		10,359
Total Assets		1,787,394
LIABILITIES		
Current Liabilities		
Accounts payable		8,664
Claim liabilities		418,337
Total Current Liabilities		427,001
NET ASSETS		
Invested in capital assets, net of related debt		10,359
Unrestricted		1,350,034
Total Net Assets	$	1,360,393

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In District premiums	$ 3,700,815
Other local sources	8,810
Total Operating Revenues	3,709,625
OPERATING EXPENSES	
Payroll costs	3,223,173
Supplies and materials	3,863
Other operating cost	343,749
Total Operating Expenses	3,570,785
Operating Income	138,840
NONOPERATING REVENUES	
Interest income	4,939
Total Nonoperating Revenues	4,939
Change in Net Assets	143,779
Total Net Assets - Beginning	1,216,614
Total Net Assets - Ending	$ 1,360,393

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 3,686,275
Cash payments to employees for services	(3,223,173)
Cash payments to suppliers for goods and services	(1,602)
Cash payments for other operating expenses	(367,438)
Net Cash Provided for Operating Activities	94,062
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	4,939
Net Cash Provided by Investing Activities	4,939
Net Increase in Cash and Cash Equivalents	99,001
Cash and Cash Equivalents - Beginning	1,368,156
Cash and Cash Equivalents - Ending	$ 1,467,157
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 138,840
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	2,260
Changes in assets and liabilities:	
Receivables	(23,089)
Accounts payable	(23,688)
Claims liabilities	(261)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 94,062

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS/BALANCE SHEETS
JUNE 30, 2011

	Retiree Benefits Trust	Agency Funds	
		Warrant Clearing	ASB Funds
ASSETS			
Deposits and investments	$ 17,379,974	$ 10,859,226	$ 2,518,905
Receivables	404,575	529,569	-
Total Assets	$ 17,784,549	$ 11,388,795	$ 2,518,905
LIABILITIES			
Overdrafts	$ 69,044	$ -	$ -
Accounts payable	5,357	17,759	-
Due to student groups	-	-	2,518,905
Due to others	-	11,371,036	-
Total Liabilities	74,401	$ 11,388,795	$ 2,518,905
NET ASSETS			
Unrestricted	17,710,148		
Total Net Assets	$ 17,710,148		

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

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Retiree Benefits Trust
ADDITIONS	
Private contributions	
District contributions	$ 2,189,989
Net increase in fair value of investments	3,400,145
Total Additions	5,590,134
DEDUCTIONS	
Other expenditures	2,441,049
Interest expense	95
Total Deductions	2,441,144
Change in Net Assets	3,148,990
Net Assets - Beginning	14,561,158
Net Assets - Ending	$ 17,710,148

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Ramon Valley Unified School District was organized on July 1, 1965 under the laws of the State of California. The District operates under a locally elected five member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 21 elementary, eight middle, four high schools, a continuation school, an independent study school.

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

Component Units

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Debt Service Funds The Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

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

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

Internal Service Fund Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates two self insurance programs that are accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds category is split into two classifications: Trust funds and Agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is the retiree benefit trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's Agency fund accounts for student body activities (ASB) and the warrant clearing fund.

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

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

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings - 10 to 50 years
Improvements/infrastructure - 11 to 36 years
Equipment - 2 to 20 years

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums and Discounts

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

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Assets

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Unsecured property taxes are payable in one installment on or before August 31. The County of Contra Costa bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable,* such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011. Please refer to Note 9 for more detailed information.

New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental funds		$ 91,367,290
Proprietary funds		1,467,157
Fiduciary funds	$ 30,758,105	
Less Overdraft	(69,044)	
Total Fiducary funds		30,689,061
Total Deposits and Investments		$ 123,523,508

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

Cash on hand and in banks	$ 32,517,600
Cash in revolving	62,000
Investments	90,943,908
Total Deposits and Investments	$ 123,523,508

Policies and Practices

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

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

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

General Authorizations

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

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

Interest Rate Risk

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

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

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

Investment Type	Fair Value
County Pool	$ 73,307,781
State Investment Pool (LAIF)	17,848,647
Total	$ 91,156,428

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment's in the county pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2011.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance was $3,915,029 with a carrying amount of $3,659,583. Out of $3,915,029, $2,490,337 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. In addition, the District had cash with fiscal agents in money market accounts in the amount of $28,858,017 and is uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Federal Government							
Categorical aid	$ 1,718,618	$ -	$ -	$ 94,225	$ 1,812,843	$ -	$ -
State Government							
Apportionment	12,697,181	-	-	-	12,697,181	-	-
Categorical aid	6,974,652	-	-	-	6,974,652	-	-
Lottery	824,149	-	-	-	824,149	-	-
Other State	1,266,020	-	-	7,140	1,273,160	-	-
Local Government							
Interest	78,467	-	10,042	-	88,509	-	-
Other Local Sources	4,082,900	840,051	-	23,830	4,946,781	309,878	934,144
Total	$ 27,641,987	$ 840,051	$ 10,042	$ 125,195	$ 28,617,275	$ 309,878	$ 934,144

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 336,607,628	$ -	$ -	$ 336,607,628
Construction in Progress	59,974,052	7,729,787	(59,336,550)	8,367,289
Total Capital Assets Not Being Depreciated	396,581,680	7,729,787	(59,336,550)	344,974,917
Capital Assets Being Depreciated:				
Land Improvements	54,511,024	3,044,525	(3,680,581)	53,874,968
Buildings and Improvements	756,908,106	70,452,870	-	827,360,976
Furniture and Equipment	15,081,829	755,404	(152,976)	15,684,257
Total Capital Assets Being Depreciated	826,500,959	74,252,799	(3,833,557)	896,920,201
Total Capital Assets	1,223,082,639	81,982,586	(63,170,107)	1,241,895,118
Less Accumulated Depreciation:				
Land Improvements	36,517,653	1,396,884	(966,152)	36,948,385
Buildings and Improvements	139,589,130	25,585,826	-	165,174,956
Furniture and Equipment	9,004,711	1,410,424	(127,025)	10,288,110
Total Accumulated Depreciation	185,111,494	28,393,134	(1,093,177)	212,411,451
Governmental Activities Capital Assets, Net	$ 1,037,971,145	$ 53,589,452	$ (62,076,930)	$ 1,029,483,667

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

Governmental Activities	
Instruction	$ 26,328,070
Instructional Supervision and Admin	30,719
Instructional Library, Media and Tech	388,997
School Site Administration	375,842
Home-to-School Transportation	134,828
Food Services	20,300
All Other Pupil Services	3,001
Ancillary Services	57,094
Community Services	4,896
Enterprise	2,260
All Other General Administration	55,009
Centralized Data Processing	79,441
Plant Services	912,677
Total Depreciation Expenses Governmental Activities	$ 28,393,134

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2011, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due From			
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General fund	$ -	$ 70,888	$ 203,264	$ 274,152
Building fund	516	-	10,123	10,639
Non-Major Governmental funds	28,588	-	-	28,588
Total	$ 29,104	$ 70,888	$ 213,387	$ 313,379

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

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	Transfer To		
Transfer From	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,479,755	$ 1,479,755
Non-Major Governmental Funds	7,632,509	-	7,632,509
Total	$ 7,632,509	$ 1,479,755	$ 9,112,264

The General Fund transferred to the Adult Education Fund for Tier III funds.	$ 28,998
The General Fund transferred to the Deferred Maintenance Fund for funding including Tier III funds.	1,204,292
The General Fund transferred to the Special Reserve Other Fund for Diablo Vista Field revenue received from the City of San Ramon and County.	246,465
The County School Facilities Fund transferred to the Building Fund to provide additional funds for building projects.	7,632,509
Total	$ 9,112,264

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	$ 1,763,609	$ 2,732,415	$ 557,844	$ 5,053,868	$ 8,664	$ 23,116
Salaries and benefits	376,950	-	30,259	407,209	-	-
Claims payable	78,302	7,142	1,038	86,482	418,337	-
Total	$ 2,218,861	$ 2,739,557	$ 589,141	$ 5,547,559	$ 427,001	$ 23,116

NOTE 7 - DEFERRED REVENUE

Deferred revenue as of June 30, 2011 consists of the followings:

	General Fund
Federal financial assistance	$ 261,095

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds	$ 323,629,318	$ 2,759,678	$ 22,825,629	$ 303,563,367	$ 10,380,000
Early retirement incentive	519,871	-	98,822	421,049	103,841
Lease revenue bonds	-	25,000,000	-	25,000,000	360,000
Accumulated vacation - net	1,795,512	-	89,190	1,706,322	-
Capital leases	1,184,404	1,070,423	1,024,589	1,230,238	490,910
Postemployment benefits	4,399,641	4,846,345	2,189,989	7,055,997	-
	331,528,746	33,676,446	26,228,219	338,976,973	11,334,751
Premiums, net of amortization	9,243,073	-	502,297	8,740,776	-
	$ 340,771,819	33,676,446	26,730,516	347,717,749	11,334,751

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

General Obligation Bonded Debt –

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Additions/ Accretion	Deletions/ Redeemed	Bonds Outstanding June 30, 2011
12/1/99	2018	4.15-5.25%	$ 70,000,000	$ 74,654,318	$ 2,759,678	$ 20,975,629	$ 56,438,367
3/1/03	2028	2.0-5.4%	72,000,000	60,975,000	-	1,350,000	59,625,000
10/13/04	2029	5-5.25%	100,000,000	100,000,000	-	500,000	99,500,000
7/20/06	2031	4.5-5%	88,000,000	88,000,000	-	-	88,000,000
				$ 323,629,318	$ 2,759,678	$ 22,825,629	$ 303,563,367

Debt Service Requirements to Maturity

The bonds mature through 2033 as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2012		$ 6,949,040	$ 15,747,050	$ 22,696,090
2013		7,808,356	15,967,897	23,776,253
2014		9,016,630	16,128,028	25,144,658
2015		10,464,982	16,283,021	26,748,003
2016		12,404,331	16,289,922	28,694,253
2017-2021		75,138,953	65,460,578	140,599,531
2022-2026		86,195,000	28,375,525	114,570,525
2027-2031		64,700,000	7,491,210	72,191,210
2032-2033		3,785,000	94,625	3,879,625
	Total	276,462,292	$ 181,837,856	$ 458,300,148
	Accretions to date	27,101,075		
	Total carrying amount	$ 303,563,367		

Lease Revenue Bonds

On July 20, 2010, the District issued $25,000,000 Federally Taxable Lease Revenue Bonds with interest ranging from 2.397 percent to 6.254 percent. The bonds were issued to finance construction of solar panels at several school sites. Interest with respect to the Bonds will be payable semi-annually on each November 1 and May 1, commencing November 1, 2010 and maturing on May 1, 2027. At June 30, 2011, the principal balance outstanding was $25,000,000.

Debt Service Requirements to Maturity

The lease revenue bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2012	$ 360,000	$ 1,350,363	$ 1,710,363
2013	1,615,000	1,341,733	2,956,733
2014	1,615,000	1,295,431	2,910,431
2015	1,615,000	1,238,583	2,853,583
2016	1,615,000	1,173,660	2,788,660
2017-2021	8,095,000	4,653,698	12,748,698
2022-2026	8,350,000	2,234,512	10,584,512
2027-2031	1,735,000	115,447	1,850,447
Total	$ 25,000,000	$ 13,403,427	$ 38,403,427

Early Retirement Plan

In January 2010, the District entered into agreements with certain employees retiring from the District effective at June 30, 2010 to provide a supplemental early retirement plan to each of the thirty-five retiring employees. The agreement calls for monthly installments to be paid within the next five years beginning August 1, 2010 towards post-retirement benefits equal to the amount of the single party Kaiser District health plan or once Medicare eligible, single party Kaiser Senior Advantage District health plan. As of June 30, 2011, the outstanding balance was $421,049.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to $1,706,322.

Capital Leases

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

	Cars/Trucks	All Weather Track and Synthetic Turf	Computers	Relocatables	PG&E HVAC Lighting Retrofit	Total
Balance, July 1, 2010	$ 145,764	$ 415,257	$ 623,383	$ -	$ -	$ 1,184,404
Additions	-	-	677,901	205,390	187,132	1,070,423
Payments	145,764	415,257	422,490	41,078	-	1,024,589
Balance, July 1, 2011	$ -	$ -	$ 878,794	$ 164,312	$ 187,132	$ 1,230,238

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	$ 524,394
2013	428,498
2014	217,078
2015	78,504
2016	37,427
Total	1,285,901
Less: Amount Representing Interest	55,663
Present Value of Minimum Lease Payments	$ 1,230,238

Leased equipment under capital leases in capital assets and accumulated depreciation at June 30, 2011, include the following:

Equipment	$ 3,879,133
Less: Accumulated depreciation	(1,595,055)
Total	$ 2,284,078

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution (ARC) was $4,190,953, for the year ended June 30, 2011, and the contribution made by the District was $2,189,989. Interest on the net OPEB obligation and adjustments to the annual required contribution were $296,976 and $358,416, respectively, which resulted in an increase to the net OPEB obligation of $2,656,356. As of June 30, 2011, the net OPEB obligation was $7,055,997. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balance are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 62,000	$ -	$ -	$ -	$ 62,000
Stores inventories	138,159	-	-	23,259	161,418
Prepaid expenditures	508,603	-	-	-	508,603
Total Nonspendable	708,762	-	-	23,259	732,021
Restricted					
Legally restricted programs	3,060,632	-		-	3,060,632
Capital projects	-	46,960,709	-	4,661,970	51,622,679
Debt services	-	-	16,988,263	-	16,988,263
Total Restricted	3,060,632	46,960,709	16,988,263	4,661,970	71,671,574
Committed					
State budget uncertainty	9,418,530	-	-	-	9,418,530
Special revenue	-	-	-	4,916,090	4,916,090
Total Committed	9,418,530	-	-	4,916,090	14,334,620
Assigned					
Various	6,698,060	-	-	-	6,698,060
Total Assigned	6,698,060	-	-	-	6,698,060
Unassigned					
Reserve for economic uncertainties	6,828,124	-	-	-	6,828,124
Remaining unassigned	14,581,533	-	-	-	14,581,533
Total Unassigned	21,409,657	-	-	-	21,409,657
Total	$ 41,295,641	$ 46,960,709	$ 16,988,263	$ 9,601,319	$ 114,845,932

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

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Ramon Valley Unified School District. The Plan offers medical, dental, vision, and life insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 640 retirees and beneficiaries currently receiving benefits, 48* terminated plan members entitled to but not yet receiving benefits, and 1917* active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Separate financial statements are not prepared for the Trust.

**Most recent information available.*

Contribution Information

The contribution requirements of plan members and the District are established and periodically updated through actuarial studies that provide 20 years of projected benefit payment net of retiree contributions. For fiscal year 2010-2011, the District contributed $2,189,989 to the plan, and $2,420,967 was used for current premiums (approximately 58% of current year annual required contribution). District contributions for retiree benefits based on the rates established in accordance with the bargaining unit agreements. Retirees paid $2,697,066 toward their medical premiums, which is 52.7% of the total premium cost. Contributions made by retirees vary depending on their agreements. The retiree's out of pocket contribution is the difference between the District's costs and the amount of their groups' respective promise. The remainder of the premiums was funded from beginning net assets and interest earnings.

Annual OPEB Cost and Net Asset/OPEB Obligation

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

Annual required contribution	$ 4,190,953
Interest on net OPEB asset/obligation	296,976
Adjustment to annual required contribution	358,416
Annual OPEB cost (expense)	4,846,345
Contributions Made	2,189,989
Increase in net OPEB asset/obligation	2,656,356
Net OPEB obligation, beginning of year	4,399,641
Net OPEB asset/obligation, end of year	$ 7,055,997

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset/obligation is as follows:

Year Ended June 30,	Annual OPEB cost	Actual Contributions	Percentage Contributed	Net OPEB Asset/Obligation
2009	$ 3,889,512	$ 2,601,687	67%	$ 2,258,821
2010	4,345,466	2,204,646	51%	4,399,641
2011	4,846,345	2,189,989	45%	7,055,997

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included 6.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in a Retiree Benefit Trust Fund through the CalPERS Employers' Retiree Benefit Trust (CERBT). The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2010, was 27 years. At July 1, 2011, the Trust Fund held net assets in the amount of $17,710,148, which mainly consisted of investment in CERBT program amounted to $17,379,974. As of June 30, 2011, CERBT is managed by CalPERS (California Public Employees' Retirement System) that Public agencies can use to establish a trust to prefund future retiree health and other post employment benefits. Separate financial reports are issued by CalPERS for the OPEB plan. The separate financial reports can be obtained by mailing a request to CalPERS.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, the District contracted with Schools Excess Liability Fund for excess property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2011, the District participated in the Contra Costa County Schools Insurance Group, an insurance purchasing pool. The intent of the Contra Costa County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Contra Costa County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Contra Costa County Schools Insurance Group. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participating school district. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Contra Costa County Schools Insurance Group. Participation in the Contra Costa County Schools Insurance Group is limited to districts that can meet the Contra Costa County Schools Insurance Group selection criteria.

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2011:

	Health and Welfare	Property and Liability	Total
Liability Balance, July 1, 2009	$ 260,925	$ 219,061	$ 479,986
Claims and changes in estimates	3,448,348	516,139	3,964,487
Claims payments	(3,482,957)	(542,918)	(4,025,875)
Liability Balance, June 30, 2010	226,316	192,282	418,598
Claims and changes in estimates	3,447,849	272,717	3,720,566
Claims payments	(3,449,839)	(270,948)	(3,720,787)
Liability Balance, June 30, 2011	$ 224,326	$ 194,051	$ 418,377
Assets available to pay claims at June 30, 2011	$ 811,390	$ 538,644	$ 1,350,034

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were $8,697,786, $8,850,010, and $8,765,652 respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were $3,355,634, $3,005,212, and 2,919,738 respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,491,197 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

Operating Leases

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

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

Year Ending June 30,	Lease Payment
2012	$ 457,317
2013	363,045
2014	191,101
2015	129,031
2016	31,518
Total	$ 1,172,012

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
State relocatable classrooms	$ 642,233	September 2011
Monte Vista Middle School Sports Medicine	254,364	October 2011
Solar project	17,084,694	November 2011
California High School South Road Repair	398,891	August 2011
San Ramon Valley High School Field Restrooms	290,652	October 2011
	$ 18,670,834	

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

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

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

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

During the year ended June 30, 2011, the District made payment of $2,198,934 and $1,111,051 to Contra Costa County Schools Insurance Group and Northern California Regional Excess Liability Fund, respectively for insurance coverage.

NOTE 15 – NET ASSETS RESTATEMENT

Certain item that occurred in prior year net asset balances has been restated as of July 1, 2010, to more accurately reflect the substance of the underlying transactions. In the prior year, the retirement of the long term liabilities (general obligation bonds accreted interests) were not accounted for in District's entity-wide financial statements. At June 30, 2010, the beginning net assets were restated from $785,052,562, to $798,978,191, an increase of $13,925,629.

REQUIRED SUPPLEMENTARY INFORMATION

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Revenue limit sources	$ 136,876,506	$ 148,045,680	$ 148,049,259	$ 3,579
Federal sources	5,214,695	12,022,399	11,943,321	(79,078)
Other state sources	35,946,782	38,785,616	38,785,610	(6)
Other local sources	24,625,332	27,717,364	27,648,079	(69,285)
Total Revenues[1]	202,663,315	226,571,059	226,426,269	(144,790)
EXPENDITURES				
Current				
Certificated salaries	104,254,131	106,778,030	106,742,110	35,920
Classified salaries	34,240,645	34,352,377	34,355,838	(3,461)
Employee benefits	44,799,180	44,285,406	44,194,525	90,881
Books and supplies	7,567,369	9,002,656	8,944,628	58,028
Services and operating expenditures	19,460,748	19,653,162	19,458,795	194,367
Other outgo	883,081	1,100,854	1,100,823	31
Capital outlay	313,945	185,020	182,142	2,878
Debt service - principal	568,253	568,253	568,253	-
Deb service - interest	254,225	254,225	254,225	-
Total Expenditures[1]	212,341,577	216,179,983	215,801,339	378,644
Excess (Deficiency) of Revenues Over Expenditures	(9,678,262)	10,391,076	10,624,930	233,854
Other Financing Sources (Uses):				
Other sources	-	865,033	865,033	-
Transfers out	(1,261,000)	(1,479,755)	(1,479,755)	-
Net Financing Sources (Uses)	(1,261,000)	(614,722)	(614,722)	-
NET CHANGE IN FUND BALANCES	(10,939,262)	9,776,354	10,010,208	233,854
Fund Balance - Beginning	31,285,433	31,285,433	31,285,433	-
Fund Balance - Ending	$ 20,346,171	$ 41,061,787	$ 41,295,641	$ 233,854

[1] On behalf payments of $4,491,197 are not included in the actual revenues and expenditures, nor the budget amounts.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2007	$ 8,934,183	$ 53,448,875	$ 44,514,692	17%	$ 115,878,907	38.41%
July 1, 2009	12,663,436	56,568,004	43,904,568	22%	125,391,500	35.01%

SUPPLEMENTARY INFORMATION

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Elementary & Secondary Education Act			
Title I - Part A, Basic Grants	84.010	14981	$ 402,325
Title II - Part A, Improving Teacher Quality	84.367	14341	398,055
Title II - Part D, Enhancing Education Through Technolgy	84.318	14334	1,715
ARRA: Title II - Part D, Enhancing Ed Through Technology	84.386	15019	6,172
ARRA: Title II - Part D, Enhancing Ed Through Tech, Competitive Grant	84.386	15126	146,772
Title III - Limited English Proficiency	84.365	14346	125,412
Title III - Immigrant Education Program	84.365	15146	131,513
Title IV - Part A, Drug Free Schools And Communities	84.186	14347	19,339
ARRA: State Fiscal Stabilization Fund	84.394	25008	1,218,243
Eudcation Jobs Fund	84.140	25152	5,218,104
Vocational Programs - Technology Secondary II C	84.048	14894	66,552
Special Education - State Grants			
Preschool Grants	84.173	13430	187,372
Basic Local Assistance Entitlement	84.027	13379	3,467,049
Local Assistant, Part B	84.027	10115	50,916
Preschool Local Entitlement	84.027A	13682	425,941
Early Intervention, Part C	84.181	23761	75,120
Preschool Staff Development, Part B	84.173A	13431	2,721
Total U.S. Department of Education			11,943,321
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch	10.553	13390	583,083
Fair Market Value of Commodities [1]	10.555	13396	179,489
Total U.S. Department of Agriculture			762,572
Total Expenditures of Federal Awards			$ 12,705,893

1 Amount not included in fund financial statements

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2011

ORGANIZATION

The San Ramon Valley Unified School District was established on July 1, 1965 and consists of an area comprising approximately 104 square miles. The District operates 21 elementary schools, eight middle schools, four high schools, a continuation, and an independent study.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Paul Gardner	President	2012
Grey Marvel	Vice President	2012
Ken Mintz	Clerk	2014
Rachel Hurd	Member	2014
Denise Jennison	Member	2014

ADMINISTRATION

NAME	TITLE
Steven Enoch	Superintendent
Gary Black	Assistant Superintendent, Business Services
Jessica Romeo	Assistant Superintendent, Human Resources
Christine Williams	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	2,071	2,073
First through third	6,464	6,481
Fourth through sixth	6,565	6,571
Seventh and eighth	4,258	4,263
Home and hospital	3	3
Special education	279	281
Total Elementary	19,640	19,672
SECONDARY		
Regular classes	8,313	8,303
Continuation education	53	54
Home and hospital	7	8
Special education	151	147
Total Secondary	8,524	8,512
Total K-12	28,164	28,184
Grand Total	28,164	28,184

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2010-2011 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,680	30,800	36,000	35,000	35,875	179	In compliance
Grades 1 - 3							
Grades 1	46,640	45,344	50,400	49,000	52,050	179	In compliance
Grades 2	46,640	45,344	50,400	49,000	52,050	179	In compliance
Grades 3	46,640	45,344	50,400	49,000	52,350	179	In compliance
Grades 4 - 6							
Grades 4	52,500	51,042	54,000	52,500	53,947	179	In compliance
Grades 5	52,500	51,042	54,000	52,500	53,947	179	In compliance
Grades 6	52,500	51,042	54,000	52,500	59,271	179	In compliance
Grades 7 - 8							
Grades 7	59,448	57,797	54,000	52,500	59,239	179	In compliance
Grades 8	59,448	57,797	54,000	52,500	59,271	179	In compliance
Grades 9 - 12							
Grades 9	61,599	59,888	64,800	63,000	67,225	179	In compliance
Grades 10	61,599	59,888	64,800	63,000	67,475	179	In compliance
Grades 11	61,599	59,888	64,800	63,000	66,940	179	In compliance
Grades 12	61,599	59,888	64,800	63,000	66,355	179	In compliance

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

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

FORM DEBT	
Total Liabilities, June 30, 2011, Unaudited Actuals	$ 322,722,827
Increase in Lease Revenue Bond	25,000,000
Decrease in Postemployment Benefits	(5,078)
Total Liabilities, June 30, 2011, Audited Financial Statement	$ 347,717,749

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012	2011	2010	2009
GENERAL FUND				
Revenues	$ 218,592,141	$ 226,426,269	$ 215,937,773	$ 221,375,732
Other sources and transfers in	-	865,033	4,827,077	-
Total Revenues and Other Sources	218,592,141	227,291,302	220,764,850	221,375,732
Expenditures	223,371,659	215,801,339	218,102,618	215,474,996
Other uses and transfers out	1,860,320	1,479,755	2,326,082	2,594,103
Total Expenditures and Other Uses	225,231,979	217,281,094	220,428,700	218,069,099
INCREASE (DECREASE) IN FUND BALANCE	$ (6,639,838)	$ 10,010,208	$ 336,150	$ 3,306,633
ENDING FUND BALANCE	$ 34,655,803	$ 41,295,641	$ 31,285,433	$ 30,949,283
AVAILABLE RESERVES [2]	$ 16,498,079	$ 21,409,658	$ 21,872,828	$ 7,193,171
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	7.32%	9.85%	9.92%	3.30%
LONG-TERM DEBT	$ 336,382,998	$ 347,717,749	$ 340,771,819	$ 340,419,300
K-12 AVERAGE DAILY ATTENDANCE AT P-2	28,502	28,164	27,119	26,217

The General Fund balance has increased by $10,346,358 over the past two years mainly due to the ARRA funding and increase in average daily attendance. The fiscal year 2011-2012 budget projects a decrease of $6,639,838 (16 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have decreased by $7,298,449 over the past two years.

Average daily attendance has increased by 1,947 over the past two years. Additional growth of 338 ADA is anticipated during fiscal year 2011-2012.

1 Budget 2012 is included for analytical purposes only and has not been subjected to audit.

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

3 On-behalf payments of $4,491,197, 4,606,867, and $4,812,593 have been excluded from the revenue, expenditures, and calculation of available reserves for fiscal years ending June 30, 2011, 2010, and 2009.

See accompanying note to supplementary information.

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 33,100	$ 383,467	$ 4,521,504
Receivables	-	101,365	-
Due from other funds	26	16,058	6,719
Stores inventories	-	23,259	-
Total Assets	$ 33,126	$ 524,149	$ 4,528,223
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 878	$ 307,123	$ 109,977
Due to other funds	287	1,404	-
Total Liabilities	1,165	308,527	109,977
Fund Balances:			
Nonspendable	-	23,259	-
Restricted	-	192,363	-
Committed	31,961	-	4,418,246
Total Fund Balances	31,961	215,622	4,418,246
Total Liabilities and Fund Balances	$ 33,126	$ 524,149	$ 4,528,223

See accompanying note to supplementary information

Special Reserve Non-Capital Fund	Capital Facilities Fund	Total Non Major Governmental Funds
$ 293,038	$ 4,626,098	$ 9,857,207
-	23,830	125,195
172,845	17,739	213,387
-	-	23,259
$ 465,883	$ 4,667,667	$ 10,219,048
$ -	$ 171,163	$ 589,141
-	26,897	28,588
-	198,060	617,729
-	-	23,259
-	4,469,607	4,661,970
465,883	-	4,916,090
465,883	4,469,607	9,601,319
$ 465,883	$ 4,667,667	$ 10,219,048

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ -	$ 583,083	$ -
Other state sources	-	27,174	-
Other local sources	78	5,051,863	14,837
Total Revenues	78	5,662,120	14,837
EXPENDITURES			
Current			
Instruction	23,170	-	-
Pupil services:			
Food services	-	5,629,827	-
Administration:			
All other administration	1,007	-	-
Plant services	-	-	813,686
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Total Expenditures	24,177	5,629,827	813,686
Excess (Deficiency) of Revenues Over Expenditures	(24,099)	32,293	(798,849)
Other Financing Sources (Uses):			
Transfers in	28,998	-	1,204,292
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	28,998	-	1,204,292
NET CHANGE IN FUND BALANCES	4,899	32,293	405,443
Fund Balance - Beginning	27,062	183,329	4,012,803
Fund Balance - Ending	$ 31,961	$ 215,622	$ 4,418,246

See accompanying note to supplementary information

Special Reserve Non-Capital Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 583,083
-	-	7,632,509	7,659,683
851	916,559	-	5,984,188
851	916,559	7,632,509	14,226,954
-	-	-	23,170
-	-	-	5,629,827
-	-	-	1,007
-	324,499	-	1,138,185
-	1,547,661	-	1,547,661
-	37,145	-	37,145
-	1,909,305	-	8,376,995
851	(992,746)	7,632,509	5,849,959
246,465	-	-	1,479,755
-	185,725	-	185,725
-	-	(7,632,509)	(7,632,509)
246,465	185,725	(7,632,509)	(5,967,029)
247,316	(807,021)	-	(117,070)
218,567	5,276,628	-	9,718,389
$ 465,883	$ 4,469,607	$ -	9,601,319

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 12,526,404
Commodities received	10.555	179,489
Total Schedule of Expenditures of Federal Awards		$ 12,705,893

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

SUPPLEMENTARY INFORMATION - UNAUDITED

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

ASSESSED VALUATION OF TAXABLE PROPERTIES AND SECURED TAX CHARGES AND DELINQUENCIES WITHIN THE SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT BOUNDARIES - *UNAUDITED*
FOR THE YEAR ENDED JUNE 30, 2011

Assessed Valuation	$ 34,160,055,078
Less: Exemptions	(502,509,716)
Total 2010-11 Assessed Valuation	$ 33,657,545,362

See accompanying note to supplementary information - unaudited.

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

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
San Ramon Valley Unified School District
Danville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Ramon Valley Unified School District as of and for the year ended June 30, 2011, which collectively comprise San Ramon Valley Unified School District's basic financial statements and have issued our report thereon dated October 31, 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

The management of San Ramon Valley Unified School District is responsible for establishing and maintaining effective internal control over financial reporting.

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

A *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.

Compliance and Other Matters

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

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
October 31, 2011

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
San Ramon Valley Unified School District
Danville, California

Compliance

We have audited San Ramon Valley Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Ramon Valley Unified School District's major Federal programs for the year ended June 30, 2011. San Ramon Valley Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Ramon Valley Unified School District's management. Our responsibility is to express an opinion on San Ramon Valley Unified School District's compliance based on our audit.

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

In our opinion, San Ramon Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

The management of San Ramon Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Ramon Valley Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Ramon Valley Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
October 31, 2011

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

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
San Ramon Valley Unified School District
Danville, California

We have audited San Ramon Valley Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to San Ramon Valley Unified School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of San Ramon Valley Unified School District's management. Our responsibility is to express an opinion on San Ramon Valley Unified School District's compliance based on our audit.

We conducted our audit 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* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about San Ramon Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of San Ramon Valley Unified School District's compliance with those requirements.

In our opinion, San Ramon Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

In connection with the audit referred to above, we selected and tested transactions and records to determine the San Ramon Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

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	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	No (see below)
Instructional Time:		
School districts	6	Yes
County offices of education	3	No applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	Not applicable

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

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
October 31, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.140	Education Jobs Fund
84.027, 84.173, 84.181	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 381,177
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditors' report issued on compliance for programs:	Unqalified

Unqualified for all programs except for the following program/s which was/were qualified:

Name of Program
None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.

APPENDIX C

ECONOMY OF THE DISTRICT

The San Ramon Valley Unified School District (the "District") encompasses all of the City of San Ramon and the Town of Danville, a small portion of the City of Walnut Creek, and adjacent unincorporated areas of Contra Costa County (the "County"). The following economic data for San Ramon, Danville and the County are presented for information purposes only. The Refunding Bonds are not a debt or obligation of San Ramon, Danville or the County, and taxes to pay the Refunding Bonds are levied only on taxable property located within the District.

General

San Ramon and Danville comprise most of the territory of the District. The District also includes the unincorporated communities of Alamo, Diablo and Blackhawk, as well as a small portion of the City of Walnut Creek. The District is located in close proximity to employment centers in the San Francisco Bay Area, and is about 30 miles east of San Francisco. Several large employers are located in San Ramon, including corporate offices of Chevron USA and AT&T.

The District is renowned for its desirable residential neighborhoods, many of them situated in the San Ramon Valley and on the flanks of Mt. Diablo, one of the highest peaks in the greater San Francisco Bay Area.

U.S. Interstate Highway 680 traverses the District, and U.S. Interstate Highway 580 and State Route 24 are nearby. Commuter rail transportation is provided by the Bay Area Rapid Transit District ("BART"), with stations located in Walnut Creek and Pleasanton.

Population

The population of San Ramon as of January 1, 2012 was 74,378 persons, representing 7.0% of the population of the County. The population of Danville as of January 1, 2012 was 42,450 persons, representing 4.0% of the population of the County. The population of San Ramon, Danville, and the County from 2000 to 2012 is shown in the following table.

POPULATION
City of San Ramon, Town of Danville and County of Contra Costa
2000 to 2012

Year	City of San Ramon Population	City of San Ramon Annual % Change	Town of Danville Population	Town of Danville Annual % Change	County of Contra Costa Population	County of Contra Costa Annual % Change
2000	44,722	--	41,715	--	948,816	--
2001	46,320	3.6%	42,491	1.9%	962,076	1.4%
2002	47,890	3.4%	42,563	0.2%	974,657	1.3%
2003	48,800	1.9%	42,572	0.0%	984,256	1.0%
2004	51,199	4.9%	42,571	0.0%	993,958	1.0%
2005	53,923	5.3%	42,113	-1.1%	1,001,216	0.7%
2006	60,134	11.5%	41,479	-1.5%	1,007,169	0.6%
2007	64,173	6.7%	41,311	-0.4%	1,015,672	0.8%
2008	66,642	3.8%	41,364	0.1%	1,027,264	1.1%
2009	69,428	4.2%	41,712	0.8%	1,038,390	1.1%
2010	72,148	3.9%	42,039	0.8%	1,049,025	1.0%
2011	73,111	1.3%	42,217	0.4%	1,056,306	0.7%
2012	74,378	1.7%	42,450	0.6%	1,065,117	0.8%

Source: For 2001-2009 and 2011: California State Department of Finance, Demographic Unit, as of January 1, 2011; for 2000 and 2010: U.S. Department of Commerce, Bureau of the Census, as of April 1, 2011.

Employment

The following table summarizes wage and salary employment in the County from 2006 to 2010. Trade, transportation and utilities, educational and health services, and government are the largest employment sectors in the County.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
County of Contra Costa
2006-2010

Industry	Employment[1] 2006	2007	2008	2009	2010
Total Farm	500	600	500	500	700
Goods Producing	29,400	28,400	24,100	20,000	18,000
Manufacturing	19,900	20,900	20,200	18,000	17,800
Trade, Transportation & Utilities	64,500	66,200	61,300	59,000	56,500
Information	13,400	12,600	11,200	10,100	9,800
Financial Activities	31,300	27,700	26,000	25,500	25,500
Professional & Business Services	51,200	50,000	49,000	45,900	44,500
Educational & Health Services	43,700	45,600	46,600	48,600	49,200
Leisure & Hospitality	32,600	32,700	31,800	30,400	31,900
Other Services	12,000	12,400	11,800	11,400	11,500
Government	49,200	52,400	52,500	50,300	48,500
Total	347,700	349,500	335,500	319,700	313,900

(1) Employment is reported by place of work; it does not include persons involved in labor management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.
Source: California Employment Development Department.

The following table summarizes civilian labor force, employment, and unemployment in the County from 2001 to 2011. The annual average unemployment rate in the County in 2011 was 10.5% compared with 11.1% for the State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
County of Contra Costa
Annual Averages, 2001-2011

Year	Civilian Labor Force	Employed Labor Force (1)	Unemployed Labor Force (2)	Unemployment Rate (3)
2001	508,700	488,100	20,600	4.1%
2002	513,700	484,300	29,400	5.7%
2003	512,200	480,900	31,300	6.1%
2004	509,700	482,000	27,800	5.4%
2005	510,800	486,000	24,900	4.9%
2006	511,700	489,800	21,900	4.3%
2007	515,300	491,300	24,100	4.7%
2008	524,200	492,000	32,200	6.1%
2009	524,800	471,300	53,500	10.2%
2010	522,400	463,700	58,700	11.2%
2011	517,500	463,300	54,200	10.5%

(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.
Source: California Employment Development Department.

Major Employers

The following table shows the largest employers located in San Ramon in 2011.

LARGEST EMPLOYERS
City of San Ramon

Firm	Product/Service	Employment
Chevron USA Inc.	Energy	3,521
AT&T	Communications	1,819
Bank of the West	Retail Banking	1,600
Robert Half International Inc.	Consulting & Staffing	982
PG&E	Utility	968
Accenture	Consulting & Staffing	750
San Ramon Regional Medical Center	Health Care	500
24 Hour Fitness USA Inc.	Fitness	372
Marriott	Hotel	368
IBM Corporation	Technology	358

Source: City of San Ramon, 2011 Comprehensive Annual Financial Report.

Construction Activity

The level of construction activity in San Ramon, Danville, and the County as measured by total building valuations and residential units is shown in the following tables.

BUILDING PERMITS AND VALUATIONS
City of San Ramon
2006-2010

	2006	2007	2008	2009	2010
Valuation ($000):					
Residential	$27,203	$61,564	$15,203	$6,994	$15,664
Non-residential	20,204		39,031	36,973	28,557
Total	$47,608	$61,564	$54,233	$43,967	$44,221
Residential Units:					
Single family	27	76	3	-	-
Multiple family	-	-	-	-	39
Total	27	76	3	0	39

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
Town of Danville
2006-2010

	2006	2007	2008	2009	2010
Valuation ($000):					
Residential	$34,241	$50,574	$29,311	$26,118	$37,690
Non-residential	17,111	-	13,876	7,522	10,931
Total	$51,352	$50,574	$43,187	$33,640	$48,621
Residential Units:					
Single family	11	25	35	6	19
Multiple family	55	-	-	34	4
Total	66	25	35	40	23

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
County of Contra Costa
2006-2010

	2006	2007	2008	2009	2010
Valuation ($000):					
Residential	$1,451,818	$2,698	$661,937	$504,632	$553,058
Non-residential	412,500	909	459,933	314,301	285,417
Total	$1,864,318	$3,607	$1,121,869	$818,934	$838,475
Residential 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

Source: Construction Industry Research Board.

Taxable Sales

Taxable sales in San Ramon and Danville for the period between 1999 to 2010 are shown in the following tables.

TAXABLE SALES, 1999-2010
City of San Ramon

Year	Number of Outlets (July 1)	Total Taxable Sales ($000)
1999	1,267	$1,190,642
2000	1,302	1,172,350
2001	1,325	783,644
2002	1,358	675,940
2003	1,420	652,307
2004	1,445	726,117
2005	1,498	714,542
2006	1,520	784,924
2007	1,517	799,977
2008	1,545	756,493
2009	1,442	637,884
2010	1,486	663,164

Source: California Board of Equalization.

TAXABLE SALES, 1999-2010
Town of Danville

Year	Number of Outlets (July 1)	Total Taxable Sales ($000)
1999	1,384	$345,222
2000	1,378	375,608
2001	1,347	359,776
2002	1,380	350,355
2003	1,394	351,488
2004	1,387	377,804
2005	1,312	392,383
2006	1,241	412,616
2007	1,229	426,618
2008	1,268	413,910
2009	1,199	381,707
2010	1,253	394,783

Source: California Board of Equalization.

Retail Sales

Taxable sales in the County for the five-year period between 2006 and 2010 are shown in the following table.

TAXABLE SALES, 2006-2010
County of Contra Costa
(in thousands)

	2006	2007	2008	2009	2010
Apparel Stores	$ 557,814	$ 559,011	$ 598,666	$ 642,813	$ 663,243
General Merchandise	1,882,310	1,878,711	1,753,124	1,644,390	1,406,756
Food Stores	607,062	616,296	594,275	657,337	673,325
Eating & Drinking Places	1,098,793	1,125,644	1,134,412	1,111,182	1,126,398
Home Furnishings & Appliances	468,008	427,995	471,619	225,332	583,556
Building Material & Farm Implements	1,027,731	944,683	747,773	711,475	718,405
Automotive Group	1,871,103	1,812,785	1,406,932	1,184,803	1,234,844
Service Stations	1,190,703	1,351,405	1,514,897	1,151,058	1,312,703
Other Retail Stores	1,572,382	1,393,174	1,262,609	1,145,186	997,163
Total Retail Stores	$10,275,906	$10,109,704	$9,484,307	$8,473,576	$8,716,393
All Other Outlets	3,591,755	3,976,591	3,823,374	3,409,473	3,237,454
Total All Outlets	$13,867,661	$14,086,295	$13,307,681	$11,883,049	$11,953,847

Source: California Board of Equalization.

Income

Total personal income in the County increased by 55% between 2000 and 2010, representing an average annual compound growth rate of 3.0%. The following table summarizes personal income for the County for 2000 to 2010.

PERSONAL INCOME
County of Contra Costa
2000-2010
(in thousands)

Year	County of Contra Costa	Annual Percent Change
2000	$43,425,112	--
2001	44,599,837	2.7%
2002	44,709,373	0.2%
2003	45,775,727	2.4%
2004	48,923,798	6.9%
2005	51,534,263	5.3%
2006	55,318,933	7.3%
2007	58,043,926	4.9%
2008	59,711,162	2.9%
2009	59,043,740	-1.1%
2010	58,382,965	-1.1%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita income from 2000 to 2010. Per capita incomes in the County grew by 21.7% between 2000 to 2010, representing an average annual compound growth rate of

2.0%. Per capita income in the County in 2010 was 30.4% higher than the average for California and 38.9% higher than the average for the United States.

PER CAPITA PERSONAL INCOME
County of Contra Costa
2000-2010

Year	County of Contra Costa	California	United States
2000	$45,558	$33,398	$30,318
2001	45,909	33,890	31,145
2002	45,601	34,045	31,461
2003	46,348	34,977	32,271
2004	49,281	36,903	33,881
2005	51,572	38,767	35,424
2006	55,247	41,567	37,698
2007	57,438	43,240	39,461
2008	58,228	43,853	40,674
2009	56,703	42,395	39,635
2010	55,465	42,514	39,937

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:

[Closing Date]

San Ramon Valley Unified School District
Calistoga, California

San Ramon Valley Unified School District
(County of Contra Costa, California)
General Obligation Refunding Bonds, Series 2012
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Ramon Valley Unified School District (the "District"), which is located in the County of Contra Costa (the "County"), in connection with the issuance by the District of $167,945,000 aggregate principal amount of San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2012 (the "Refunding Bonds"), pursuant to the Paying Agent Agreement, dated as of July 1, 2012 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement.

In such connection, we have reviewed the Paying Agent Agreement, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the Paying Agent, the County and others, and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Refunding Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Refunding Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the

Refunding Bonds, the Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 19, 2012, or other offering material relating to the Refunding Bonds and express no opinion with respect thereto.

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

1. The Refunding Bonds constitute valid and binding obligations of the District.

2. The Paying Agent Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Refunding Bonds and the interest thereon.

4. Interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the San Ramon Valley Unified School District (the "District") in connection with the issuance of $167,945,000 aggregate principal amount of San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to the Paying Agent Agreement, dated as of July 1, 2012, by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent, as originally executed and as it may be amended or supplemented from time to time (the "Paying Agent Agreement"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

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

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

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

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

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

"Official Statement" shall mean the Official Statement, dated June 19, 2012 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

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

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

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2011-2012 Fiscal Year (which is due not later than April 1, 2013), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

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

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

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

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

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County of Contra Costa (the "County").

(v) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

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

(b) 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, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) 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; or

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

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

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Paying Agent Agreement.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Contra Costa or in U.S. District Court in or nearest to the County of Contra Costa. A default under this Disclosure Certificate shall not be deemed an event of default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: July 17, 2012

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

By: ____________________________________

EXHIBIT A

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

Name of Issuer:	SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT
Name of Issue:	San Ramon Valley Unified School District (County of Contra Costa, California) General Obligation Refunding Bonds, Series 2012
Date of Issuance:	July 17, 2012

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated July 17, 2012. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

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APPENDIX F

COUNTY OF CONTRA COSTA INVESTMENT POLICY
SUMMARY OF POOLED INVESTMENT FUND

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

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CONTRA COSTA COUNTY

TREASURER'S

ANNUAL INVESTMENT POLICY

FISCAL YEAR 2012-2013

APPROVED BY THE BOARD OF SUPERVISORS
JUNE 2012

The Contra Costa County Treasurer will annually present to both the Board of Supervisors (Board) and the Treasury Oversight Committee (Committee) a statement of investment policy, which the Board shall review and approve at a public meeting. Any changes in the policy shall also be reviewed and **approved by the Board at a public meeting (Gov't Code §53646(a)(1)).**

OFFICE OF COUNTY TREASUER-TAX COLLCTOR
625 COURTS STREET, ROOM 100
MARTINEZ, CALIFORNIA 94553

Table of Contents

CONTRA COSTA COUNTY
TREASURER'S ANNUAL INVESTMENT POLICY

1.0 PURPOSE

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines of surplus funds entrusted to the care **of the Contra Costa County Treasurer's Office** (**Treasurer's Office**) in accordance with applicable sections of California Government Code. All portfolio activities will be judged by the standards of the Policy and its ranking of investment objectives.

2.0 SCOPE

This P**olicy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility** and direct control for their management.

3.0 PARTICIPANTS

This Policy restricts deposits to those agencies mandated by California Government Code as treasury deposits. However, subject to the consent of the Treasurer**'s Office** and in accordance with section 53684, exemptions may be granted to non-mandatory depositing agencies, if it is determined that the additional deposit provides a benefit to the investment pool as a whole while not creating unmanageable liquidity risk.

4.0 IMPLEMENTATION

In order to provide direction to those responsible for management of surplus funds, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has made available the report to the legislative body of local agencies that participates in the **County Treasurer's** investment program.

The Policy explains investable funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5.0 OBJECTIVES

Gov't Code §53600.5: When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its controls.

5.1 Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and market risk.

5.1.a *Credit Risk*

The Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

1. Limiting investments to the safest type of securities

2. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Treasurer's Office will do business
3. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

5.1.b *Market Risk*

The Treasurer's **Office** will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

5.2 Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

5.3 Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity when deemed prudent and necessary. Reasons of selling include but not limited to: :

1. A security with declining credit may be sold early to minimize loss of principal.
2. A security swap would improve the quality, yield, or target duration in the portfolio.
3. Liquidity needs of the portfolio require that the security be sold.
4. Portfolio rebalancing would bring the portfolio back into compliance.

Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

5.4 Public Trust: All investments will be in conformance with state law and county ordinances and policies. The investment of public funds is a task that must maintain the public trust.

6.0 GENERAL STRATEGY

6.1 Buy and Hold: The Treasurer will generally use the passive investment strategy known as BUY AND HOLD whereas securities are purchased with the intent of holding them to maturity. Interest income and the reinvestment of interest income usually are the only sources of return in the portfolio.

The investment program will focus on purchasing securities that will limit or reduce the potential default risk and ensure the reliability of cash flows from interest income. Generally, purchases will be laddered throughout the portfolio in order to minimize the number and cost of investment transactions.

6.2 Directed Investment: Local agencies may direct the investment, exchange, liquidation and reinvestment of their assets, but must meet the provisions of the investment objectives of this policy. The withdrawal of funds in the Treasury shall coincide with investment maturities or authorized sales of securities by the local agency's legislative or governing body.

7.0 STANDARD OF CARE

The following policies are designed in accordance with Government Code to provide transparency to the investment program while enhancing portfolio controls:

7.1 Prudent Investor Standard: "Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, investments may be acquired as authorized by law." (Gov't Code §53600.3.1)

7.2 Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation is $420 for the period January 1, 2011, to December 31, 2012. Any violation must be reported to the State Fair Political Practices Commission.

Please refer to the Contra Costa County Treasurer-Tax Collector's Conflict of Interest Code for further explanation of the prohibited activities, and their enforcements and exceptions.

7.3 Delegation of Authority

7.4.a Subject to Section 53607, the board of supervisors may, by ordinance, delegate to the county treasurer the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5. The county treasurer shall thereafter assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607 (Gov't Code §27000.1).

7.4.b The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year **(Gov't Code §53607)**.

7.4.c Responsibility for the operation of the investment program is hereby delegated to the County Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer.

7.5 Treasury Oversight Committee: In compliance with a Board Order of the Contra Costa County Board of Supervisors, the County Contra Costa County Treasury Oversight Committee was established in November 6 of 1995. The intent of the Committee is to allow local agencies, including school districts, as well as the public, to participate in reviewing the policies that guide the investment of public funds. The mandate for the existence of the Committee was suspended in 2004 by the State of California; however, the Committee serves an important function and the Treasurer's Office has elected to continue the program.

7.5.a The Committee shall annually review and monitor the County's Investment Policy.

7.5.b The Committee shall cause an annual audit to determine the County Treasurer's compliance with the Investment Policy and all investment funds in the county Treasury.

8.0 SAFEKEEPING AND CUSTODY

8.1 Delivery vs. Payment: All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the County Treasurer's safekeeping institution prior to the release of funds.

8.2 Third-party Safekeeping: Securities will be held by an independent third-party safekeeping institution selected by the County Treasurer. All securities will be evidenced by safekeeping receipts in the County's name or in a name designated by the County Treasurer. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011.)

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

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

8.3 Internal Controls: The County Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Treasurer are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual that shall be reviewed and updated periodically by the County Treasurer.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

9.0 AUTHORIZED BROKERS/DEALERS AND FINANCIAL INSTITUTIONS

9.1 All transactions initiated on behalf of the Pooled Investment Fund and Contra Costa County shall be executed only through either of the following:

1. Government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York;
2. Banks and financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions;
3. Brokers/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed.

Broker/dealers and financial institutions which have exceeded the political contribution limits as contained in Rule G-37 of the Municipal Securities Rulemaking Board within a four year period to the County Treasurer or an member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approval List of Broker/Dealers and Financial Institutions.

9.2 Qualifications: All financial institutions and broker/dealers who desire to become qualified for investment transactions must **complete Contra Costa County Treasurer's Office Broker/Dealer** Due Diligence Questionnaire which can be obtained at www.cctax.us.An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Treasurer**'s Office**.

9.3 List of Approved Financial Institutions, Security Brokers and Dealers
A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness and qualifications stated in section 9.2. However, the County Treasury will not be limited to the financial institutions and brokers/dealers on the list. Others will be included as long as conditions for authorized financial institutions and brokers/dealers set forth in this Policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by a nationally recognized statistical-rating organization (NRSRO) or reliable financial sources.

10.0 SUITABLE AND AUTHORIZED INVESTMENTS

10.1 Authorized Investment Types: (**Gov't Code** §53601 et seq.) The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

10.1.a Bonds issued by the local agencies, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

10.1.b United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

10.1.c Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.

10.1.d Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

10.1.e Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.

10.1.f Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

10.1.g Bankers acceptances otherwise known as bills of exchange or time drafts drawn on **and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this** section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the Public Utilities Code).

10.1.h Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (i) or paragraph (ii):

1. The entity meets the following criteria:
    - A. Is organized and operating in the United States as a general corporation.
    - B. Has total assets in excess of five hundred million dollars ($500,000,000).
    - C. Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).
2. The entity meets the following criteria:
    - A. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - B. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
    - C. Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635:

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

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

10.1.j Repurchase and reverse repurchase agreements

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

2. Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

3. Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

   A. The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

   B. The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

   C. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

   D. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

4. Prior approval of the governing body; only with primary dealers:

   A. Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

   B. For purposes of this policy, "significant banking relationship" means any of the following activities of a bank:

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

ii. Financing of a local agency's activities.

iii. Acceptance of a local agency's securities or funds as deposits.

5. Definitions and terms of repos, securities and securities lending:

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

B. "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

C. "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

D. "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

E. For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

F. For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

10.1.k Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

10.1.l Shares of beneficial interest

1. Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities

underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

2. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (I5 U.S.C. Sec. 80a-1 et seq.).

3. If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

   A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

   B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).

4. If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:

   A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

   B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).

5. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and **shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be** invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

10.1.m Moneys held by a trustee or fiscal agent and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

10.1.n Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

10.1.o Any mortgage pass-through security, collaterialized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

10.1.p Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n) inclusive.
3. The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

11.0 RESTRICTIONS AND PROHIBITIONS

11.1 Restrictions set by the Treasurer

11.1.a All investments purchased by the Treasurer's Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by Government Code 53600 et. seq.

11.1.b All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as 1) an entity that makes smoking products from tobacco used in cigarettes, cigars and/or snuff, or for smoking in pipes or 2) a company that has total revenues of 15 percent or more from the sale of such tobacco products. The tobacco-related issuers restricted from any investment are Alliance One, Altria Group, Inc., Auri Inc., British American Tobacco PLC, Imperial Tobacco Group PLC, Kirin International Holding Inc., Lorillard, Philip Morris International, Reynolds American, Inc., Schweitzer-Mauduit International Inc., Smokefree Innotec Inc., Star Scientific Inc., Universal Corp., and Vector Group, Ltd. Annually the Treasury staff will update the list of tobacco-related companies.

11.1.c Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

11.1.d Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio with prior approval of the Treasurer.

11.1.e SBA loans require prior approval of the Treasurer in every transaction.

11.1.f Securities purchased through brokers will be held in safekeeping at The Bank of New York Trust Company, N.A. or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

11.1.g Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

11.1.h Bank CDs or non-negotiable CDs will be collateralized at 110 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first $100,000 collateral except by special arrangement with the Treasurer.

11.2 Prohibitions by Government Code (§53601.6)

11.2.a A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages.

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

12.0 INVESTMENT PARAMETERS

12.1 Diversification: Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return by:

1. Limiting investment to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
2. Limiting investment in securities that have higher credit risks,
3. Investing in securities with varying maturities, and
4. Continuously investing a portion of the portfolio in readily available funds such as investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

12.2 Maximum Maturities: To the extent possible, the County Treasurer shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Treasurer shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LAIF, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

12.3 Exception to Maximum Maturity: In accordance with Government Code §53601 the County Treasurer retains the right to petition the Board of Supervisors for approval to invest in securities with a final maturity in excess of five years. The Board of Supervisors adoption of any resolution allowing maturities beyond five years shall be considered an allowed modification to this policy and any investments made in accordance with the modification shall be allowable under this policy.

12.4 Investment Criteria[1]: All limitations set forth in this Policy are applicable only at the time of purchase. The County Treasurer has the full discretion to rebalance the portfolio when it is out of compliance owing to various reasons, such as market fluctuation.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
Bonds issued by local agencies, §53601 (a)	100%	5 years	100%	
U.S. Treasury Obligations, §53601 (b)	100%	5 years	100%	
Registered State Warrants, and CA Treasury Notes and bonds, §53601 (c)	100%	5 years	100%	
Bonds and Notes issued by other local agencies in California, §53601 (e)	100%	5 years	100%	
Obligations of U.S. Agencies or government sponsored enterprises, §53601 (f) U.S. Agencies Callables,	100% 100%	5 years 5 years	100% 25%	
Bankers Acceptances), §53601 (g) *Domestic: ($5B min. assets) *Foreign: ($5B min. assets	40% 40%	180 days 180 days	30% Aggregate 5% Aggregate	
Commercial paper, §53601 (a) and §53635 (a)	40%	270 days or less	10% Aggregate	No more than 10 % of the local agency's money may be invested in the outstanding commercial paper of any single issuer.
Negotiable Certificates of Deposit ($5 billion minimum assets), §53601 (I)	30%	5 years	10% Aggregate	Collateralized at 110 % by gov't securities or 150 % by current mrtgs. (§53652).
Repurchase Agreements secured by U.S. Treasury or agency obligation (102% collateral), §53601 (j)	100%	1 year	See limitations for Treasuries and Agencies above	Generally limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with Government Code 53601.
Reverse Repurchase Agreements and Securities Lending Agreements, §53601 (j)	20%	92 days	See limitations for Treasuries and Agencies above	
Corporate bonds, Medium Term Notes & Covered, §53601 (k)	30%	5 years	5% Aggregate	
Shares of beneficial interest issued by diversified mgt. companies §53601 (l)	20%	N/A	10% Aggregate	
Moneys held by a trustee or fiscal agent, §53601 (p)	20%	N/A		
Collateralized Time Deposits, §53601(I)	15%	5 years	5% Aggregate	Collateralized at 110 % by gov't securities or 150 % by current mrtgs. (§53652).
Mrtg Backed Securities/CMO's: Asset Backed Securities	20% 20%	5 Years 5 Years	5% Aggregate	No Inverse Floaters No Range Notes No Interest only strips derived from a pool of

[1] The rating requirement for each investment type is referenced in the relevant sections of California Government Code.

INVESTMENT TYPE	MAXIMUM % of PORTFOLIO	MAXIUM MATURITY	MAXIMUM % of ISSUE	OTHER RESTRICTIONS
				mortgages
Joint Powers Authority, CalTRUST, §53601, (P)	As limited by CalTRUST	N/A	Up to the current CA limit	
Local Agency Investment Fund (LAIF), §16429.1	As Limited by LAIF	N/A	Up to the current CA limit	

13.0 CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF)

13.1 **General Information (Gov't Code §16305.9).**

13.1.a All money in the Local Agency Investment Fund shall be held in trust in the custody of the State Treasurer.

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

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

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

13.2 Investment and Distribution of Deposits (§16429.1).

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

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

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

13.2.d Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

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

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

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

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

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

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

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

13.2.l Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section.

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

14.0 PORTFOLIO MANAGEMENT ACTIVITY

14.1 Passive Portfolio Management:

(See Section 6.0., General Strategy)

14.2 Competitive Bidding:

Investments will be purchased in the most cost effective and efficient manner by using a competitive bidding process for the purchase of securities. Competitive bidding is required from a pre-approved list of broker/dealers on all investment transactions except for new issue securities.

14.3 Reviewing and Monitoring of the Portfolio:

Monthly reports will review portfolio investments to ensure they are kept track of in a timely manner. The reports will also monitor the **County Treasurer's investment practices** and the results of such practices.

14.4 Portfolio Adjustments:

Certain actions may be taken if the portfolio becomes out of compliance. For instance, should a concentration limitation be exceeded due to an incident such as a fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses; however, the County Treasurer may choose to rebalance the portfolio earlier to bring it back into compliance if the portfolio will not suffer any losses for selling the investment prior to maturity.

14.5 Performance Standards:

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

15.0 REPORTING

15.1 Methodology: The County Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the County Treasurer to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report shall be provided to the Chief Administrative Officer, the County Auditor, the Board of Supervisors, Treasury Oversight Committee and any pool participants [Government Code 27133(e), and 53646(b)]. The report will include the following:

1. The type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the County Treasurer
2. A description of any of the local agency's funds, investments, or programs that are under the management of contracted parties, including lending programs.
3. A current market value as of the date of the report of all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, and the source of this same valuation.
4. A statement that the portfolio is in compliance with the investment policy, or the manner in which the portfolio is not in compliance.
5. A statement denoting the ability of the County Treasurer to meet its pool's expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may, not be available.
6. Listing of individual securities by type and maturity date held at the end of the reporting period.

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

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

7. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity.
8. Average maturity and duration of portfolio on investments as well as current and cumulative performance of the portfolio, by yield and by total return, as compared to applicable benchmarks.
9. Percentage of the total portfolio which each type of investment represents.
10. Whatever additional information or data may be required by the legislative body of the local agency.

15.2 Marking to Market: The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed on a regular basis.

16.0 COMPENSATION

In accordance with Government Code §§27013 and 53684, the County Treasurer will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, employee salaries and benefits, portfolio management, bank and custodial fees, software maintenance fees and other indirect costs incurred from handling and managing funds. In addition, when applicable, the costs associated with the Treasury Oversight provisions of Government Code §§ 27130-27137 shall be included as administrative costs. Costs will be deducted from interest earnings on the pool prior to apportioning and payment of interest. The County Treasurer shall annually prepare a proposed budget providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with Government Code §27013. The administrative fee will be subject to change. Fees will be deducted from interest earnings.

16.1 Deduction of Costs: The County Treasurer deducts actual costs and makes any adjustments from the interest earning and apportions the remaining earnings to all participants based on the positive average daily balance.

17.0 CALCULATING AND APPORTIONING POOL EARNINGS

The Investment Pool Fund is comprised of monies from multiple units of the County, agencies, school districts and special districts. Each entity has unique cash flow demands, which dictate the type of investments the Treasurer's Office may purchase. To ensure parity among the pool members when apportioning interest earnings, the following procedures have been developed:

1. Interest is apportioned on at least a quarterly basis in accordance with Government Code §53684.

2. **Interest is apportioned to pool participants based on the participant's average daily fund** balance and the total average daily balance of deposits in the investment pool.
3. **Interest is calculated on an accrual basis for all investments in the County Treasurer's** investment pool and reported to the Auditor-Controller for distribution into the funds of the participants.
4. Specific fee schedules are as follow:
   A. Regular and Routine Investments

      $20 per investment transaction; i.e., $20 at placement and $20 at maturity.

      .00333 of interest income; i.e., $3.33 per $1,000 of interest income.

      The above is charged quarterly by journal entry.

   B. Special Reports and Research: Actual staff time and materials.

   C. Special Bank Transactions: Actual bank fee schedule, staff time and materials.
5. Negative average daily fund balance will be charged interest at the rate of interest that is being apportioned.

18.0 NON-MANDATED DEPOSITS AND WITHDRAWALS IN THE TREASURY

18.1 Deposit by Resolution

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

18.1.a Resolution by the County Board of Supervisors authorizing the acceptance of outside participants by the County Treasury.

18.1.b Resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to Government Code 53684.

18.1.c Treasury investments will be directed transactions. For each transaction, the local agency must indicate the fund source, the amount to be invested and the duration of the investment.

18.2 Withdrawal Request

18.2.a Statutory Participants

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

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

Pursuant to Section 27136(a), **"Notwithstanding any other provisions of law, any local** agency, public agency, public entity or public official that has funds on deposit in the County treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the County treasury pool shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the County **treasury pool."**

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

18.2.b Voluntary Participants

For outside participants who utilize Government Code section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal of funds from the Treasury shall coincide with investment maturities or authorized sale of securities by the legislative or governing body of the local agency. Except for funds in the California State Local Agency Investment Fund, a five-business-days notification may be required when authorized sale of securities is involved. However, the above section on evaluation of request for withdrawal of funds for use outside the County treasury pool by both mandated and non-mandated treasury pool participants shall also apply.

19.0 TEMPORARY BORROWING OF POOL FUNDS

Section 6 of Article XVI of the California Constitution provides in part that "the treasurer of any city, county, or city and county shall have power and the duty to make such temporary transfers from the funds in custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by city, county, city and county, district, or other political subdivision whose funds are in custody and are paid out solely through the treasurer's office."

The County Auditor-Controller and the County Treasurer shall make a temporary transfer of funds to the requesting agency, not to exceed 85% of the amount of money which will accrue to the agency during the fiscal year, provided that the amount of such transfer has been determined by the County Auditor-Controller to be transferable under the constitutional and statutory provisions cited in Article XVI and has been certified by the County Treasurer-Tax Collector to be available. Such temporary transfer of funds shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year.

20.0 INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of this Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by this Policy.

21.0 DISASTER RECOVERY PLAN

The Contra Costa County Treasurer's Disaster Recovery Plan includes critical phone numbers and addresses of key personnel as well as active bankers and brokers/dealers. Laptops, iPads and BlackBerry phones shall be issued to key personnel for communicating between staff, bank and broker/dealers. Copies of the plan shall be distributed to the investment staff: Assistant County Treasurer, the Treasurer's Investment Officer, and the Investment Operations Analyst. The investment staff shall interact with one another by home phone, cell phone, or e-mail to decide an alternate location from which to conduct daily operations.

In the event investment staff is unable to conduct normal business operations, the custodial bank will automatically sweep all uninvested cash into an interest bearing account at the end of the business day. Until normal business operations have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this investment policy.

22.0 POLICY CONSIDERATIONS

22.1 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

22.2 Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the County Treasurer and any other appropriate authority.

C.67

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 04/03/2012 by the following vote:

AYES:	4	**John Gioia** **Mary N. Piepho** **Karen Mitchoff** **Federal D. Glover**
NOES:		
ABSENT:	1	**Gayle B. Uilkema**
ABSTAIN:		
RECUSE:		

Resolution No. 2012/129

Resolution of Contra Costa County an in accordance with California Government Code Section 16429.1 Authorizing Investment of Monies in the Local Agency Investment Fund (Account #99-07-000)

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Supervisors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the CONTRA COSTA COUNTY.

NOW THEREFORE, BE IT RESOLVED, that the Board of Supervisors does hereby authorize the deposit and withdrawal of CONTRA COSTA COUNTY monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following CONTRA COSTA COUNTY officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Russell V. Watts, Treasurer-Tax Collector	Brice Bins, Chief Deputy Treasurer-Tax Collector	Belinda Zhu, Assistant Treasurer
(SIGNATURE)	(SIGNATURE)	(SIGNATURE)

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

Contact: Brice Bins, 925-957-2848

ATTESTED: April 3, 2012

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

cc:

APPROVED BROKERS AND ISSUERS

ABN AMRO, Incorporated
American Express Credit Corporation
Associates Corporation of North America
Associates First Capital
Bank of America
Bank of New York Mellon
Bank of the West
Bankers Trust Company
Barclays Capital, Incorporated
California Arbitrage Management Program
Chevron Corporation
Chevron Funding
Citibank
Citigroup Funding Inc.
Credit Suisse First Boston
Deere & Company
Exxon Mobil Corporation
General Electric Capital Corporation
General Electric Capital Services
General Electric Company
Goldman, Sachs & Company
Government Perspectives
John Deere Capital Corporation
J.P. Morgan Securities LLC
Mechanics Bank
Prudential Securities, Incorporated
Public Financial Management,
Incorporated
Toyota Motors Credit Corporation
UBS Financial Services
Union Bank
US Bancorp
Wells Fargo Bank
Westamerica Bank

Note: The County Treasury will not be limited to the above list. Others will be included as long as all conditions for authorized brokers and dealers set forth in this policy are met. Additionally, deletions and additions are based on the maintenance of required credit quality as rated by Standard and Poor's, Moody's and other recognized rating services and reliable financial sources.

APPROVED PRIMARY DEALERS

BNP Paribas Securities Corp.
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets, Inc.
Credit Suisse Securities (USA) LLC
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies & Company, Inc.
J.P. Morgan Securities, Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
MF Global Inc.
Mizuho Securities USA Inc.
Morgan Stanley & Co. Incorporated
Nomura Securities Inc.
RBC Capital Markets, LLC
RBS Securities Inc.
SG Americas Securities, LLC
UBS Securities LLC.

Note: Approved primary government securities dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York as of February 2, 2011.

ACCRUED INTEREST The accumulated interest due on a bond as of the last interest payment made by the issure.

AGENCY A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

AMORTIZATION The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

BANKERS ACCEPTANCES A time bill of exchange drawn on and accepted by a commercial bank to **finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a** predated, certified check payable to the bearer at some future specified date. The commercial bank assumes primary liability once the draft is accepted.

BASIS POINT A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of one percent of yield. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

BENCHMARK A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration **of the portfolio's investment.**

BID The indicated price at which a buyer is willing to purchase a security or commodity.

BLUE SKY LAWS Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

BOND A bond is essentially a loan made by an investor to a division of the government, a government agency or a corporation. The bond is a promissory note to repay the loan in full at the end of a fixed time period. The date on which the principal must be repaid is called the maturity date or maturity. In addition, the issuer of the bond, that is the agency or corporation receiving the loan proceeds and issuing the promissory note, agrees to make regular payments of interest at a rate initially stated on the bond. Bonds are rated according to many factors, including cost, degree of risk and rate of income.

BOOK VALUE Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER Any person engaged in the business of effecting transaction in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

CALLABLE BOND A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALL PRICE The price at which an issuer may redeem a bond prior to maturity. The price is usually at a **slight premium to the bond's original issue price to compensate the holder for the loss of** income and ownership.

CALL RISK The risk to the bondholder that a bond may be redeemed prior to maturity.

CASH SALE/PURCHASE A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

CERTIFICATES OF DEPOSIT (CD) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

CLEAN UP CALL An action of a debt instrument issuer requiring early redemption of the instrument to reduce its own administrative expenses. This normally occurs when the principal outstanding is significantly reduced to a small amount, e.g., less than 10% of the original issue.

COLLATERALIZATION Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

CONVEXITY **A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to** interest rate changes.

COUPON RATE The annual rate of interest received by an investor from the issuer of certain types of fixed-**income securities. Also known as the "interest rate."**

CREDIT QUALITY The measurement of the financial strength of a bond issuer. This measurement helps **an investor to understand an issuer's ability to make timely interest payments and repay the loan** principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD (CURRENT RETURN) A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP NUMBERS CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DELIVERY VERSUS PAYMENT (DVP) A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchase or his/her custodian.

DERIVATIVE SECURITY Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

DISCOUNT The amount by which the par value of a security exceeds the price paid for the security.

DIVERSIFICATION A process of investing assets among a range of security types by sector, maturity, and quality rating.

DURATION A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

EARNINGS APPORTIONMENT The quarterly interest distribution of the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool

FAIR VALUE The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS (FED FUNDS) Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE Interest rate charged by one institution lending federal funds to the other.

FEDERAL OPEN MARKET COMMITTEE (FOMC) This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FIDUCIARY An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE NOTE A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g., Treasury bills, LIBOR, etc.).

FUTURES Commodities and other investments sold to be delivered at a future date.

GOVERNMENT SECURITIES An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. *See* **"Treasury Bills, Notes and Bonds."**

INTEREST RATE *See* **"Coupon Rate."**

INTERNAL CONTROLS An internal control structure designed to ensure that the assets of the **Treasurer's Investment Pool are protected from loss, theft, or misuse. The internal control structure is** designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion—Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping—By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping—Securities purchased from a bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities—Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members—Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers—Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian—The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

INVERSE FLOATERS An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

INVERTED YIELD CURVE A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

INVESTMENT COMPANY ACT OF 1940 Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

INVESTMENT POLICY A concise and clear statement of the objectives and parameters formulated by the investor or investment manager for a portfolio of investment securities.

INVESTMENT-GRADE OBLIGATIONS An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

LIQUIDITY Usually refers to the ability to convert assets (such as investments) into cash.

LOCAL AGENCY INVESTMENT FUND (LAIF) The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MAKE WHOLE CALL A type of call provision on a bond allowing the borrower to pay off remaining debt early. The borrower has to make a lump sum payment derived from a formula based on the net present value of future coupon payments that will not be paid because of the call.

MARK TO MARKET Valuing the inventory of held securities at its current market value.

MARKET RISK The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE Price at which a security can be traded in the current market.

MASTER REPURCHASE AGREEMENT A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY The date upon which the principal of a security becomes due and payable to the holder.

MEDIUM-TERM NOTES (MTNS) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

MONEY MARKET INSTRUMENTS Private and government obligations of one year or less.

MONEY MARKET MUTUAL FUNDS Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, banker's acceptances, repos and federal funds).

MUTUAL FUND An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.

4. **Maintain the daily liquidity of the fund's shares.**
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

MUTUAL FUND STATISTICAL SERVICES Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services and Morningstar.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD) A self-regulatory organization (SRO) of brokers and dealers in the over-the counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NEGOTIABLE CERTIFICATES OF DEPOSIT May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

NET ASSET VALUE The market value of one share of an investment company, such as a mutual fund. **This figure is calculated by totaling a fund's assets which includes securities, cash,** and any accrued **earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's** portfolio. (See below)

[(Total assets) – (Liabilities]/(Number of shares outstanding)

NO LOAD FUND A mutual fund which does not levy a sales charge on the purchase of its shares.

NOMINAL YIELD The state rate of interest that a bond pays its current owner, based on par value of the security. **It is also known as the "coupon," "coupon rate," or "interest rate."**

NON-NEGOTIABLE CERTIFICATES OF DEPOSIT For public funds, these certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

OFFER The price of a security at which a person is willing to sell.

OPTION A contract that provides the right, but not the obligation, to buy or to sell a specific amount of a specific security within a predetermined time period. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PAR Face value of principal value of a bond, typically $1,000 per bond.

PAR VALUE The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

POSITIVE YIELD CURVE A chart formation that illustrates short-term securities having lower yields than long-term securities.

PREMIUM The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

PRIME RATE A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

PRINCIPAL The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

PROSPECTUS A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

PRUDENT PERSON RULE An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

RANGE NOTES A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

RATE OF RETURN The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond and the current income return.

REINVESTMENT RISK The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT OR RP OR REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

SAFEKEEPING Holding of assets (e.g., securities) by a financial institution.

SECURITIES LENDING A transaction wherein the Treasurer's Pool transfers its securities to a broker/dealer or other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SERIAL BOND A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

SETTLEMENT DATE The date used in price and interest computations, usually the date of delivery.

SINKING FUND Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS **US Treasury acronym for "separate trading of registered interest and principal of se**curities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

TERM BONDS Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

TOTAL RETURN The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period: (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

TREASURY SECURITIES Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

1. Bills Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.
2. Notes Interest-bearing obligations that mature between one year and 10 years.
3. Bonds Interest-bearing long-term obligations that generally mature in 10 years or more.

UNIFORM NET CAPITAL RULE SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

U.S. AGENCY OBLIGATIONS Federal agency or United States government-sponsored enterprise obligations, participants, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

U.S. TREASURY OBLIGATIONS Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

VOLATILITY A degree of fluctuation in the price and valuation of securities.

"VOLATILITY RISK" RATING A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "V-10" by Fitch).

WEIGHTED AVERAGE MATURITY (WAM) The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI) A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD The current rate of return on an investment security generally expressed as a percentage of the security's current price.

YIELD-TO-CALL (YTC) The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD CURVE A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

ZERO-COUPON SECURITY A security that makes no periodic interest payments but instead is sold at a discount from its face value.

CONTRA COSTA COUNTY

TREASURER’S QUARTERLY INVESTMENT REPORT

AS OF MARCH 31, 2012

EXECUTIVE SUMMARY

- The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq..

- The Treasurer's investment portfolio is in compliance with the Treasurer's current investment policy.

- The Treasurer’s investment portfolio has no securities lending, reverse repurchase agreements or derivatives.

- The total cost of the investment portfolio was equal to **$2,067,641,918** on March 31, 2012. The fair value was **$2,070,076,922** which was 100.12% of cost.

- The weighted average maturity of the total investment pool was 184 days. More than 82 percent of the portfolio or over $1.70 billion will mature in less than a year. Historical activities combined with future cash flow projections indicate that the County is able to meet its cash flow needs for the next six months. However, the State’s deferral policies and budget deficit could have a significant impact on the County’s cash flow during the next six months.

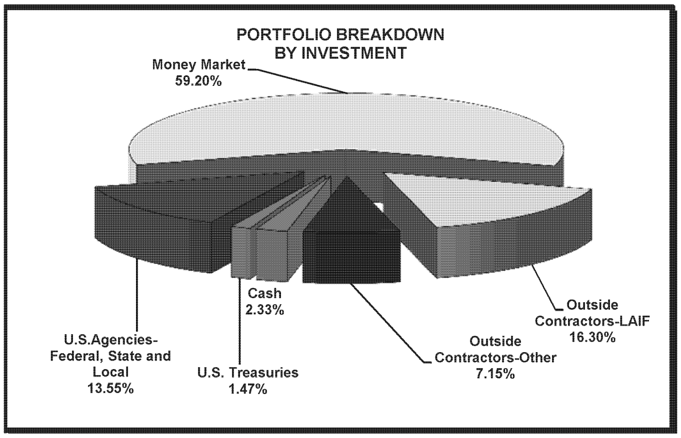
CONTRA COSTA COUNTY INVESTMENT POOL
As of March 31, 2012

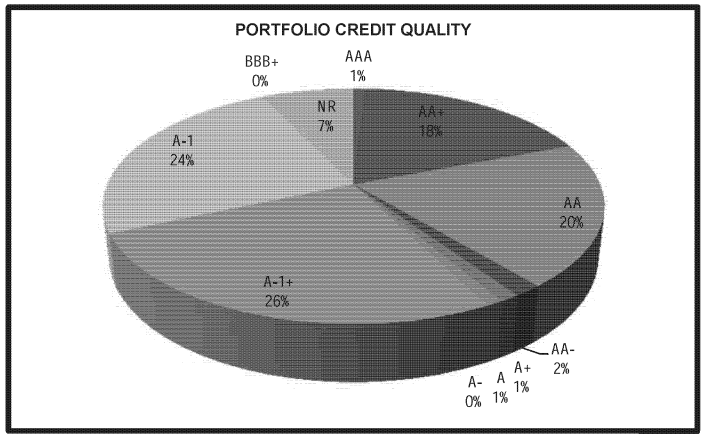
TYPE	PAR VALUE	COST	FAIR VALUE	PERCENT OF TOTAL COST
A. Investments Managed by Treasurer's Office				
1. U.S. Treasuries (STRIPS, Bills, Notes)	$29,277,000.00	$30,463,360.71	$30,384,646.80	1.47%
2. U.S. Agencies				
Federal Agriculture Mortgage Corporation	0.00	0.00	0.00	0.00%
Federal Home Loan Banks	73,570,000.00	74,197,768.43	74,791,868.55	3.59%
Federal National Mortgage Association	70,908,000.00	72,700,712.67	72,644,663.15	3.52%
Federal Farm Credit Banks	155,000.00	168,181.20	166,140.63	0.01%
Federal Home Loan Mortgage Corporation	126,388,000.00	127,941,266.51	128,532,328.46	6.19%
Municipal Bonds	4,595,000.00	5,170,389.45	5,168,853.90	0.25%
Subtotal	275,616,000.00	280,178,318.26	281,303,854.69	13.55%
3. Money Market Instruments				
Bankers Acceptances	0.00	0.00	0.00	0.00%
Repurchase Agreement	80,000,000.00	80,000,000.00	80,000,000.00	3.87%
Commercial Paper	561,595,000.00	560,489,683.58	561,325,303.28	27.11%
Negotiable Certificates of Deposit	476,720,000.00	476,728,201.99	477,003,327.68	23.06%
Medium Term Certificates of Deposit	2,347,000.00	2,348,430.58	2,346,986.42	0.11%
Corporate Notes	102,990,000.00	103,878,955.37	104,409,460.16	5.02%
Money Market Accounts	565,318.32	565,318.32	565,318.32	0.03%
Time Deposit	3,200.00	3,200.00	3,200.00	0.00%
Subtotal	1,224,220,518.32	1,224,013,789.84	1,225,653,595.86	59.20%
TOTAL (Section A.)	1,529,113,518.32	1,534,655,468.81	1,537,342,097.35	74.22%
B. Investments Managed by Outside Contractors				
1. Local Agency Investment Fund	336,994,607.22	336,994,607.22	336,994,607.22	16.30%
2. Other				
a. EBRCS Bond	2,455,113.76	2,455,113.76	2,455,113.76	0.12%
b. Miscellaneous (BNY, Mechanics, CCFCU)	249,883.08	249,883.08	249,883.08	0.01%
c. Wells Capital Management	44,322,439.38	44,856,963.99	44,780,280.41	2.17%
d. BofA Global Capital Management	37,246,249.94	37,861,033.76	37,686,092.59	1.83%
e. CalTRUST (Short-Term Fund)	62,330,448.62	62,330,448.62	62,330,448.62	3.01%
Subtotal	146,604,134.78	147,753,443.21	147,501,818.46	7.15%
TOTAL (Section B.)	483,598,742.00	484,748,050.43	484,496,425.68	23.44%
C. Cash	48,238,398.53	48,238,398.53	48,238,398.53	2.33%
***GRAND TOTAL (FOR A , B, & C)**	$2,060,950,658.85	$2,067,641,917.77	$2,070,076,921.56	100.00%

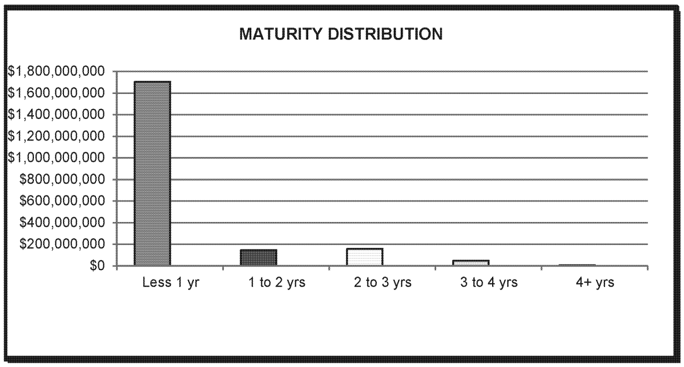
* Does not include the Futuris Public Entity Trust of the Contra Costa Community College District Retirement Board of Authority

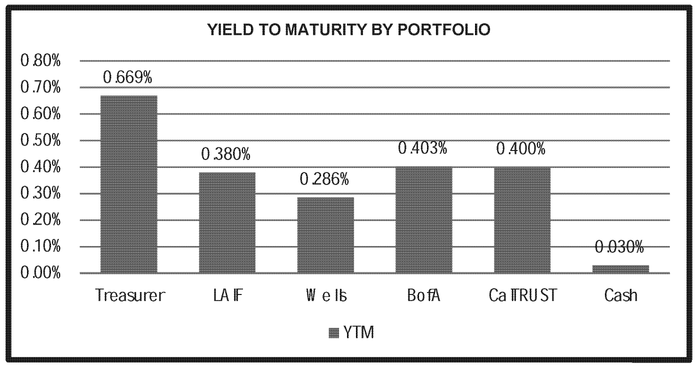
CONTRA COSTA COUNTY
INVESTMENT POOL
AT A GLANCE

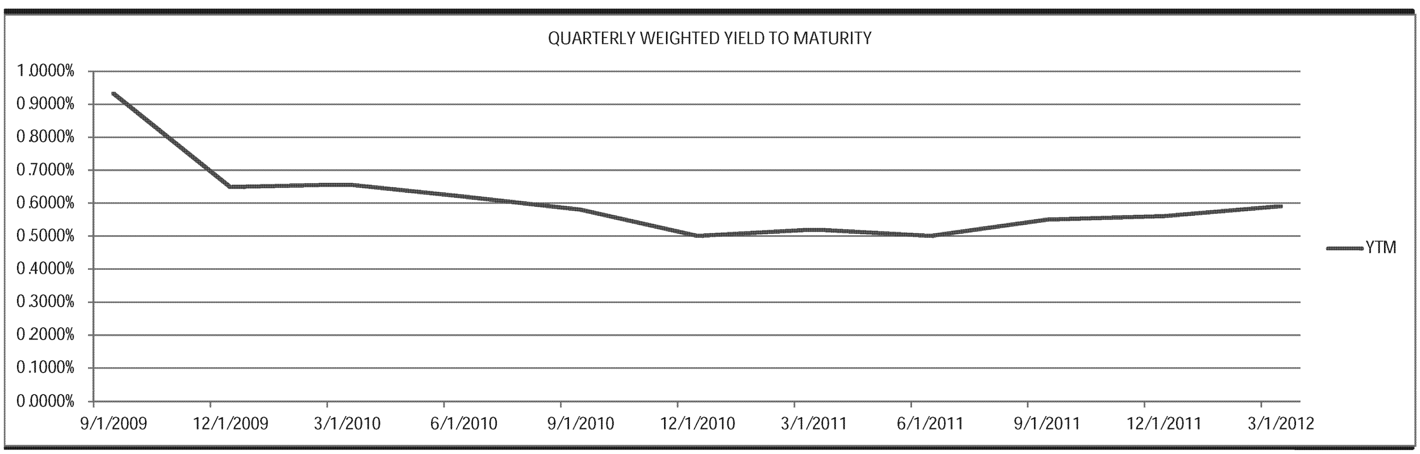
AS OF MARCH 31, 2012











NOTES TO INVESTMENT PORTFOLIO SUMMARY AND AT A GLANCE AS OF MARCH 31, 2012

1. All report information is unaudited but due diligence was utilized in its preparation.
2. There may be slight differences between the portfolio summary page and the attached exhibits and statements for investments managed by outside contractors or trustees. The variance is due to the timing difference in recording transactions associated with outside contracted parties during interim periods and later transmitted to the appropriate county agency and/or the Treasurer's Office. In general, the Treasurer's records reflect booked costs at the beginning of a period.
3. All securities and amounts included in the portfolio are denominated in United States Dollars.
4. The Contra Costa County investment portfolio maintains Standard & Poor's highest credit quality rating of AAAf and lowest volatility of S1+. The portfolio consists of a large portion of short-term investments with credit rating of A-1/P-1 or better. The majority of the long-term investments in the portfolio are rated AA or better.
5. In accordance with Contra Costa County's Investment Policy, the Treasurer's Office has constructed a portfolio that safeguard the principal, meet the liquidity and achieve a return. As a result, more than 82% of the portfolio will mature in less than a year with a weighted average maturity of 184 days.

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Refunding Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Refunding Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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.**

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

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

10. 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, Security certificates will be printed and delivered to DTC.

11. 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.

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